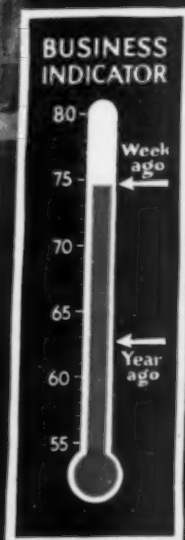


JUNE 27
1936

BUSINESS WEEK



Harris & Ewing, Gendreau

INVADER — While the steel industry develops its own labor relations program, John L. Lewis, mine leader, makes ambitious plans to capture its workers for his industrial union empire.

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ALAN ARBOR MICH

LITTLE DRAMAS OF AMERICAN INDUSTRY — PRESENTED BY TRUSCON

DILEMMA IN A CLUB CAR



Act 1... *The OBSTACLE* — T. B. M., (Travel-burdened manufacturer) at wits-end. Unexpected influx of large orders floods plant capacity. Additional space imperative. Must have new plant in 4 weeks to hold present business. "Impossible!" moans the T. B. M.



Act 2... *The DISCOVERY* — Worry-weak, the executive seeks relief by perusing pages of publication. Eyes light on Truscon advertisement. "What's this about a Truscon Standard Building erected in 22 days?" chuckles the chief. "Will I consult Truscon? WILL I!" (More chuckles)



Act 3... *The SOLUTION* — Three weeks after all details completed, manufacturer sees new plant ready to swallow increased business. "That's what I call getting things done!" he gloated gleefully, boarding a train for the first restful journey he had experienced in a number of years.

When YOU face a Building Barrier...CONSULT TRUSCON

You can have any size, any type of building with any arrangement of doors and windows... any kind of sidewalls... any type of roof.

You spend fewer dollars to own a Truscon Standard Building than any other type of comparable size and arrangement.

Your investment is protected by the permanence of Truscon Standard Buildings which have the additional advantage of easy dismantling and re-erection with practically 100 per cent salvage value.

You can arrange easy financing through the Truscon FHA Plan which often makes it possible for a Truscon Building to pay for itself with savings in maintenance costs and profits on the investment.

You can secure complete details by communicating with one of Truscon's 52 sales-engineering offices, or by writing direct to us at Youngstown, Ohio.

TRUSCON FHA PLAN

It's easy to finance a Truscon Standard Building. You can spread payments over a period of time that is often estimated to make the Truscon building pay for itself from profits on the investment and savings in maintenance costs.

...

USE THIS FOR PROMPT REPLY
We are interested in the type of building checked below.

Length..... Width..... Clear Height.....

SERIES-A—pitched roof types



SERIES-B—flat roof types



☐ We are interested in the Truscon-FHA plan of financing through the Equipment Acceptance Corporation.

Name.....

Address.....

City.....State.....

TRUSCON STEEL COMPANY
YOUNGSTOWN, OHIO

New Business

CATERPILLAR TRACTOR COMPANY's well-known flair for drama has flared up again. When its 10,000th Diesel came off the assembly line last November, one of the watching officials said, "Let's find out what old No. 1 Diesel, No. 1,000, No. 2,000 and so on are doing." The result, just out as "The Story of Ten Caterpillar Diesels" makes facts as interesting as the fiction that made the "Earthworm Tractor" famous. If Tony Sarg could have done the decorations, the *Saturday Evening Post* would have to look to its laurels.

TOLEDO, O., is confident that trade is getting back to normal in Addis Ababa. Its Conklin Pen Co. reports an order for stock from a dealer in Emperor Victor Emmanuel's new sub-capital. He sent part-payment in a check drawn by an American missionary on a bank in Avoca, Pa.

PICK your meat by machinery. The other day the annual Chicago meeting of the National Live Stock and Meat Board heard Miss Alice M. Child, Associate Professor of Home Economics at the University of Minnesota, tell of a machine that tests tenderness by recording the pounds pressure required to cut through the meat, a colorimeter that determines the degree of color, and a pressometer that shows you just how juicy a steak is. Of course, that particular audience was qualified to do its picking by eye.

FOR those who want to know all about the comparative serviceability of the common fuels which compete for the privilege of doing a job for industry, the American Society of Testing Materials has published a "Symposium on Industrial Fuels," covering coal and coke, fuel oils, manufactured gas, and liquefied petroleum gas. Copies are obtainable from A.S.T.M. headquarters, 260 So. Broad St., Philadelphia, at 75¢ each.

MANGANESE can now be extracted from low-grade 10% to 15% ore, according to R. S. Dean, chief metallurgist of the U. S. Bureau of Mines. Hitherto this has been impractical and commercially unprofitable, because the manganese has always oxidized after being liberated as a pure metal. However, a new process provides for electrolytic recovery, keeps constant the acidity of the bath in which the metal is deposited and, to prevent oxidization, employs a reducing agent. Furthermore, silver may be recovered as a by-product. The bureau is hoping to get a \$84,600 appropriation to build a demonstration plant at Boulder City, Nebr.

FRENCH railroads are running a train equipped with a public address system, outlets in each car. A large chemical company recently chartered the train to bring a load of guests to the plant, used the "mike" en route to lecture them on what they were to see.

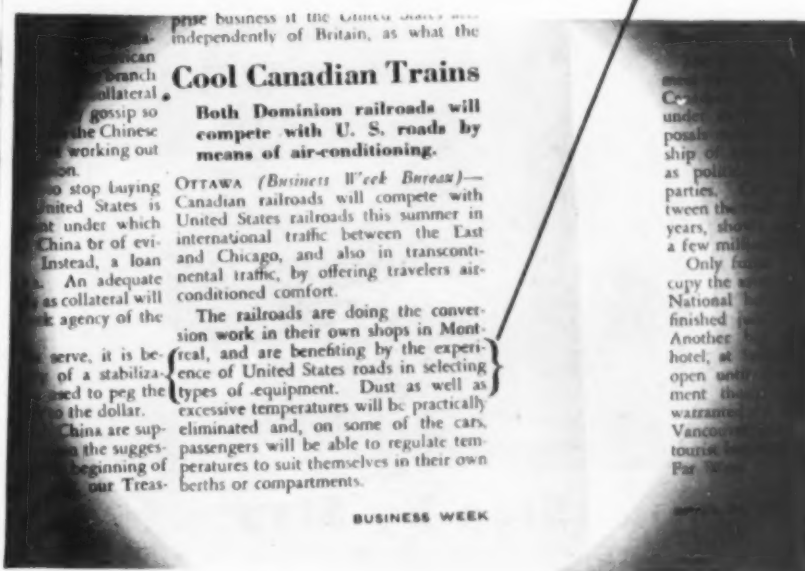
\$15,000, \$20,000, \$25,000, or \$30,000—whatever the sum Walter P. Chrysler is paying Major Bowes to bring his amateur program over to the Chrysler broadcast in September—and all these figures have been announced by so-called reliable sources—it represents a

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And they Selected

STURTEVANT AIR CONDITIONING EQUIPMENT



Cool Canadian Trains

Both Dominion railroads will compete with U. S. roads by means of air-conditioning.

OTTAWA (Business Week Bureau)—Canadian railroads will compete with United States railroads this summer in international traffic between the East and Chicago, and also in transcontinental traffic, by offering travelers air-conditioned comfort.

The railroads are doing the conversion work in their own shops in Montreal, and are benefiting by the experience of United States roads in selecting types of equipment. Dust as well as excessive temperatures will be practically eliminated and, on some of the cars, passengers will be able to regulate temperatures to suit themselves in their own berths or compartments.

BUSINESS WEEK

CANADIAN RAILROADS have recently ordered Sturtevant Air Conditioning Units to meet a large part of their 1936 requirements. They will be used for conditioning a total of 78 cars.

U. S. RAILROADS—over 35 of them use Sturtevant Railvane Air Conditioning Units or Systems.

B. F. STURTEVANT COMPANY HYDE PARK, BOSTON, MASS.

Sales Offices in 40 Cities. Plants at Hyde Park, Mass.; Framingham, Mass.; Camden, N. J.; Sturtevant, Wis.; Berkeley, Cal.; Galt, Ont. B. F. Sturtevant Company of Canada, Ltd.—Galt, Toronto, Montreal

Sturtevant

REG. U. S. PAT. OFF.

Puts Air to Work

WORLD'S LARGEST MAKERS OF AIR HANDLING AND CONDITIONING EQUIPMENT





Step by Step

MAYBE your budget warns you to be wary of financial waters, but don't let that stop you in the matter of elevator modernization. We can supply stepping-stones to elevator modernization which skirt the deep pools of financial burden.

We call it our step-by-step plan. It entails, first of all, a careful survey of your installation by the best of elevator experts. This survey (by the way, it is free) shows you exactly the condition of your elevators and just what is needed to make them good as new.

Next, the work of modernization is plotted in logical steps, placing the most important improvements at the top of the list.

Then, should you decide to modernize, the work is done *one step at a time* and paid for as each step is completed. This way, you get at once the benefits of partial modernization. You eventually have elevators that give tenant-attracting and expense-saving service. And you have achieved this without unduly burdening yourself financially.

The local Otis office is prepared to outline this step-by-step plan from a practical standpoint as applied to your elevator problems. Talk it over with the Otis representative.

OTIS
Step by Step
MODERNIZATION

new high for radio talent. Heretofore such headliners as Eddie Cantor, Ed Wynn, and the Major himself have commandeered fees in the neighborhood of five grand. According to reports, Major Bowes sidestepped the agency and the ad department, negotiated his contract with Mr. Chrysler direct. Who said the amateur angle was losing its punch?

NOT in a nutshell precisely but packed compactly and comprehensively into 845 pages of text is the complete story of workmen's compensation laws—what the various types of statutory provisions are, how they are administered, what legal, medical, and insurance problems they create, and how some firms have undertaken to solve them. "The Administration of Workmen's Compensation" (\$4.50) is published by the Commonwealth Fund, has been six years in preparation under the auspices of the Fund's Legal Research Committee, headed by George Welwood Murray of the New York Bar.

THE ancient custom of turning "back" the speedometer of a used automobile so that the mileage looks less ominous to the prospective buyer has been condemned as the perpetration of a fraud. A St. Louis, Mo., car dealer had turned the speedometer of a car from 48,000 miles back to 22,000. Percy C. Jones bought it. He proved to a jury that the car had been driven 48,000 miles by its former owner. The dealer's claim that the speedometer "turn-back" was an old trade custom fell on deaf ears. The jury awarded Jones \$2,150 damages and a St. Louis Court of Appeals sustained the verdict.

A NEW fuel for airplane motors has been announced by W. S. Farish, chairman of the Standard Oil Co. of N. J. and F. A. Howard, president of the Standard Oil Development Co. Not yet given a trade name, El-455 is tagged as a synthetic oil product which chemists call isopropyl ether. 40% of it blended with ordinary aviation gasoline plus the customary shot of tetraethyl lead results in a fuel with the maximum anti-knock rating of 100. It is said that only slight modifications of present engines are required to permit its use, while it will effect savings of approximately 15% in fuel and corresponding increases in pay load or power.

"THE statistical history of any business is impersonal. Business never is." So from now on the Goodyear Tire & Rubber Co. isn't relying exclusively on its annual statement to stockholders to interpret itself to investors, workers, customers, and the general public. It has a 415-page book about itself, "The House of Goodyear," price \$1.00. Hugh Allen of Goodyear's public relations department wrote the history, highlighted it with many a dramatic touch. Result: the highly readable story of a corporation, told in terms of the personalities that have made it, not in terms of its dollar-and-cents achievements.

MOLYBDENUM ("moly" for short) is the metal used in the production of high-grade steel. Last year 11,503,000 lb. were produced, a new high, and 23% greater than in the preceding year. Doesn't sound like much metal, but a little goes a long way. Moreover, it's a metal with a future. Next few years may see the present output doubled.

"IMPORTANT new radio services are ready today for practical demonstration. Tomorrow they will be ready to serve the public. Others are still in the laboratory stage of development. But beyond are widening prospectives of usefulness: the promises of further radio possibilities which may well outweigh all the achievements of the past. These developments must be safeguarded against unnecessary restrictions. Radio progress must not



WHEN BIG CONTRACTS DEPEND ON TINY TEETH

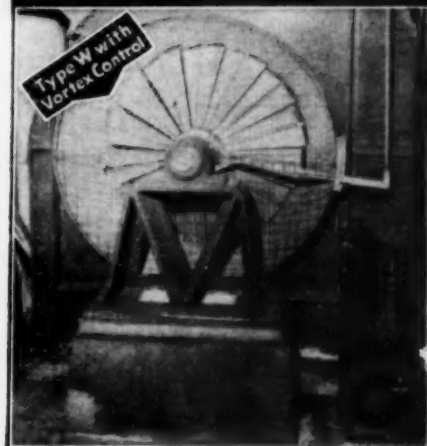


Back of each whirling lathe... each heaving hoist, laboring conveyor or tireless stamping machine... are hundreds of gear teeth that keep production flowing. Compared with the dollar value of your contract, their cost is infinitesimal. But if these teeth should give way their bearing on your profits is tremendous. Industry is reducing this risk by adopting the Nickel Alloy Steels for vulnerable parts in the production cycle. For Nickel's partnership with the simple steels of yesterday results in vastly increased toughness and strength. Let the dependability and endurance of these superior steels guard your plant against costly "hold-ups". Our experience in the application of Nickel to industrial problems is at your disposal. Send for List "A" of available publications on Nickel and its alloys.

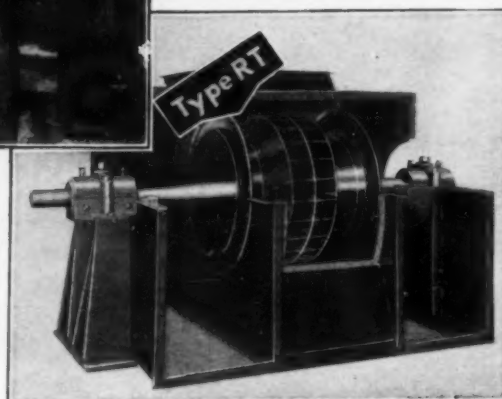
NICKEL ALLOY STEELS

THE INTERNATIONAL NICKEL COMPANY, INC.
NEW YORK, N. Y.

Nearly Right Won't Do On Jobs Like this One



(Left) Clarage Type W Forced Draft Fan rated at 69,000 CFM. Capacity regulation obtained by Clarage Vortex Control, a patented device which gives any desired regulation of air volume with fan operating at constant speed from constant speed motor. (Expensive variable speed motor and elaborate control not required.)



(Right) Clarage Type RT Induced Draft Fan with section of housing removed. This unit handles 121,350 CFM. exhaust gases at 336° Fahr. — built like a battleship—extra heavy construction in every part. One engineer remarked, "The finest fan equipment I have ever inspected."

Rochester Gas & Electric Uses Clarage Fans for Both Forced and Induced Draft

The last word in mechanical draft design — these Clarage Fans shown above!—one of the vital links in making the newest power plant of the Rochester Gas & Electric Co. at Rochester, N. Y., such a marvel of high efficiency.

And it isn't alone in mechanical draft that Clarage has achieved leadership! For the same impeccable standards of engineering and workmanship are plainly in evidence throughout the wide range of products which Clarage

builds—fans, blowers and unit heaters for industry, cooling and air conditioning units and systems for factories, offices, stores, hotels, theatres, etc.

Clarage has been piling up knowledge and experience in this specialized field for nearly a quarter century. We manufacture nothing but air handling and conditioning equipment—but we do that remarkably well. Your inquiry is invited!

SPECIFY CLARAGE

for
COMPLETE
AIR CONDITIONING
VENTILATION
HEATING
COOLING
MECHANICAL DRAFT
FANS & BLOWERS FOR
INDUSTRIAL NEEDS

CLARAGE FAN COMPANY • Kalamazoo, Mich.
SALES ENGINEERING OFFICES IN ALL PRINCIPAL CITIES

be 'frozen' at any point." David Sarnoff, RCA president, offers the Federal Communications Commission a friendly warning.

FRANCE follows the American streamline, Carrel Fouche Co., French licensee of the Edward G. Budd Manufacturing Co., of Philadelphia, will complete this year 20 two-car, lightweight, stainless steel electric flyers to be operated on the State Railway between Paris and Le Mans. They will be spot-welded and similar in construction, though not in appearance, to the Zephyrs and other American trains built by Budd.

OWENS ILLINOIS GLASS CO. is all adith about a 3-lb. Sebago Lake salmon caught by 11-year old Bob Crandall, son of J. T. Crandall (left) veteran manufacturer of fish lines. The other party in the picture is said to be a guide but it may reasonably be suspected that he's a disguised Owens-Illinois publicity man who thinks up things like that highly



unessential trapeze to show off the company's new fibrous glass fish line which has just caught its first fish (front center). Laboratory sharks say the line breaks at 38 lb. against 18 lb. for a silk line of the same construction, 28 lb. for a linen line, boast about its superior resistance to various molds and fungi occurring in water.

American Banker recently celebrated its own 100th anniversary by a 156-page edition which revealed, among other things, that the country has 244 banks as old or older.

READERS who have been following *Business Week's* Index of Business Activity (page 7) these many years will remember that at the beginning of 1936 its series of criss-crossing annual curves suddenly turned into a curve apiece for the weekly indices of 1935 and 1936, with all the preceding years back through 1929 pulled into a single long-trend curve covering monthly averages. They should now know that, on what seems to be a fair cross-section test, 97 business executives have voted for the new setup against 68 for the old. That majority isn't overwhelming enough to keep the Statistical Department from looking for improvements.

SHELL UNION OIL believes it has hit a new oil structure in Kern County, California. It recently blew in a well 36 miles east of Elk Hill at a depth of 7,888 ft. The high oil-gas ratio leads executives to believe their well is located at the top of the structure and that wells out toward the ends will prove better.

NOT from the high pressure bottled-in-bond boys but from a little retailer in a sleepy Rumanian town comes the latest wrinkle in beverage distribution. He sells wine not by the bottle or the drink but by the hour.

Washington Bulletin

WASHINGTON (*Business Week Bureau*)—More than meets the eye is involved in President's dispatch of commission to study European cooperatives, announcement of which was nicely timed to be overshadowed by Philadelphia ballyhoo. Whole Rooseveltian philosophy is based on premise that capitalistic system, like David Harum's dog, is better off with a few fleas. Alphabetical variety, though irritating enough to satisfy demand, hasn't shown much staying power. Strong cooperatives—and government aid could do much to strengthen such organizations—might provide a substitute "within the framework of the Constitution." Experience abroad shows that co-ops exert strong influence on private prices and profits in many fields, including such New Deal specialties as banking, credit, insurance, housing, and electric power distribution. President's interest promises more experimentation in second New Deal—if and when.

Next Session's Must List

Sprint prior to adjournment reduced legislative waiting list for next Congress, but sure-fire survivors are Wagner housing, Guffey coal, rate-fixing on government-produced power, and Wheeler anti-basing-point bills, if present Administration is returned, and food and drugs bill regardless of election outcome.

Anti-Trust Fight Looms

Anti-basing-point bill will show up in much broader and more drastic form. President held up Trade Commission's report on collusive bidding by steel companies until after adjournment, but his request to Attorney General Cummings for legislation outlawing present practices presages attack on big business from monopoly standpoint.

Drug Act Eventually

Any single Congress is only passing show to old, powerful bureau like Food & Drug Administration. By next year it will be ready to shove in another bill and eventually, inevitably, will get legislation that it really wants.

Beyond the Platform

Aims of Roosevelt Administration as to legislation along lines of NRA, AAA, Guffey coal control, *et al.*, clearly revealed in convention speeches and platform. Argument that "principles" are within Constitution hints not merely at new phrasing, but looks hopefully toward changes in Supreme Court personnel. Conservative Southern Democrats at Philadelphia privately relieved that platform and official utterances did not formally

JOBLESS CENSUS OUT

No census of unemployment can be taken until fall of 1937. Administration has resisted industry's demand for such count, preferring to wait until after November election. Because Copeland Bill fell short of enactment and can't go through until next January, a count next spring is out of question, for Census Bureau insists six months are needed for preparation.

commit Democracy to federal side of states rights controversy—now that Republicans have taken historic Democratic position, on relief issue at least.

Easy Out on Devaluation

Silence of Democrats on power of President to mark down gold value of dollar still further, after Republicans had insisted on repeal of this authorization, was no oversight. Senator Bulkley of Ohio pointed out to colleagues that power expired few days after inauguration anyhow (in late January) and that not even most enthusiastic inflationists believed it could or should be extended.

Strategy on Utility Test

Dismissal of legal stay which held off trial of North American and American Water Works tests of holding company act is technical victory for utilities, but it still leaves government on top. New Deal wants and will get first Supreme Court test on its hand-picked case against Electric Bond and Share, still pending in New York District Court. If necessary, it will delay other cases by asking Supreme Court to review recent dismissal of stay.

Air Commerce Blow-Up

Senator Copeland has sprung a mine under Air Commerce Bureau. His Committee on Air Safety has criticized Eugene L. Vidal as "lacking in iron" and questioned Rex Martin's experience for his job. J. Carrol Cone was deftly whitewashed, emerges apparent victor in three-cornered in-

ternal row. Gossip says Cone recently flew to Arkansas and joined the Presidential train returning from Texas. Copeland, Democratic problem child, was not expected to report before Election Day but apparently would not wait.

Maybe Not So Easy

Securities & Exchange Commission does not expect to have to resort either to courts or Congress to effect its proposals for segregation of broker-dealer functions on exchange floors. But after brokers see concrete recommendations, SEC may not be so optimistic about outlook.

Tinplate Seconds Restored

Federal Trade Commission scores victory as 15 large tinplate manufacturers consent to cease and desist order restoring "stock plate" (seconds) to domestic market (*BW*—Mar 28'36, p14). Small can manufacturers depend on this grade for much of their supplies and suffered from agreement withdrawing it from sale.

Up to the Courts

Despite all analyses that have been made of new Patman anti-price discrimination law, only court tests will establish its limitations. Trade Commission will adopt stiff-necked attitude in first instance but will not have its own way by any means as courts have never dealt too kindly with this quasi-judicial body.

House Wiring by REA

With 12,000 miles of new distribution lines already financed, Rural Electrification Administration is opening up on another front, has allotted \$30,000 to underwrite wiring of Ohio farmsteads. Money goes direct to co-operative organization which will discount farmers' notes up to 80% of cost. Method still tentative; results will be watched closely as guide to subsequent operations.

Behind WPA Front

WPA's new relief work set-up looks "local," is intended to disarm Republican criticism. However, fact that Washington still hold reins is shown by Hopkins' order that all payroll records and other data be held secret, even when called for by subpoena, until Washington OK's release.

Watching Hindenburg

Not only Navy's return to use of dirigibles but inauguration of American lighter-than-air transatlantic service hinges upon demonstration made by *Hindenburg* in this summer's cruises. Commercial interest is just as keen as Navy's and prospect of commercial operation is more immediate.

Accommodations for the Queen



WHEN the *Queen Mary* arrived in America on her maiden voyage she docked at New York City's terminal designed especially to accommodate the new luxury liners.

Bethlehem furnished and erected the structural steel skeleton for this Trans-Atlantic Steamship Terminal for the New York City Department of Docks.

Since the early days of modern steel construction Bethlehem has been in the forefront of this field. Today, combining the facilities of

McClintic-Marshall (formerly a Bethlehem subsidiary) with its other fabrication and erection facilities, Bethlehem has become the largest steel construction organization in the world.

The towers and span of the Golden Gate Bridge, the locks of the Panama Canal, notable structures in all parts of the world, are examples of the work of Bethlehem.

Whatever kind of steel construction job it may be—bridge, building, tank, dock, tower—Bethlehem has the experience to handle it.



BETHLEHEM STEEL COMPANY

BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



BUSINESS WEEK INDEX

PRODUCTION

	Latest Week *74.7	Preceding Week †74.3	Month Ago 74.1	Year Ago 62.7	Average 1931-35 65.7
* Steel Ingot Operation (% of capacity)	70.2	70.0	67.9	37.7	36.1
* Building Contracts (F. W. Dodge, daily average in thousands, 4-wk. basis)	\$8,668	\$8,977	\$5,010	\$6,297	\$6,297
* Bituminous Coal (daily average, 1,000 tons)	*1,131	1,091	1,126	1,543	1,044
* Electric Power (million kw.-hr.)	2,005	1,990	1,955	1,775	1,616

TRADE

Total Carloadings (daily average, 1,000 cars)	114	116	114	109	103
* Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars)	74	76	74	65	69
* Check payments (outside N. Y. City, millions)	\$4,445	\$3,752	\$4,072	\$3,815	\$3,501
* Money in Circulation (Wednesday series, millions)‡	\$6,046	\$5,937	\$5,896	\$5,498	\$5,308

PRICES (Average for the Week)

Wheat (No. 2, hard winter, Kansas City, bu.)	\$.96	\$.89	\$.94	\$.85	\$.73
Cotton (middling, New York, lb.)	12.23¢	11.84¢	11.72¢	11.91¢	9.59¢
Iron and Steel (Steel composite, ton)	\$32.77	\$32.77	\$32.87	\$32.40	\$30.85
Copper (electrolytic, Connecticut Valley basis, lb.)	9.500¢	9.500¢	9.500¢	8.913¢	7.873¢
All Commodities (Fisher's Index, 1926 = 100)	82.5	82.3	80.5	82.0	70.6

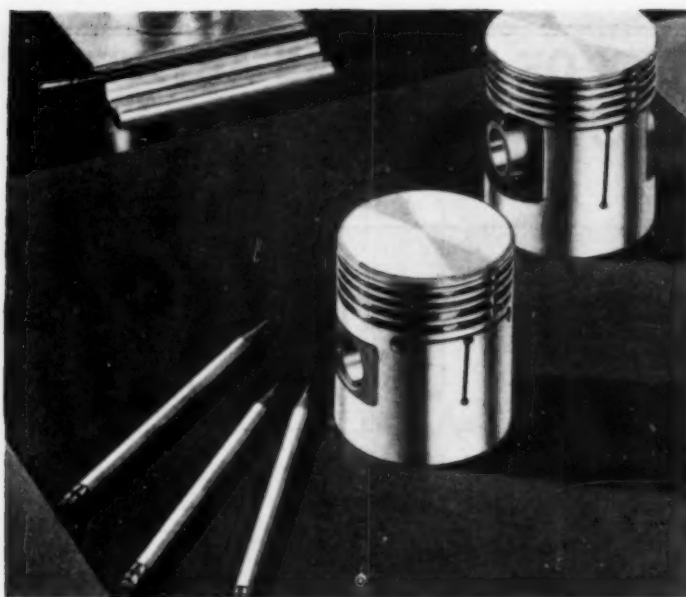
FINANCE

Total Federal Reserve Credit Outstanding (Wednesday series, millions)‡	\$2,480	\$2,471	\$2,470	\$2,482	\$2,076
Total Loans and Investments, Fed. Res. rep't'g member banks (millions)	\$22,659	\$22,163	\$21,799	\$19,952	\$19,507
* Commercial Loans, Federal Reserve reporting member banks (millions)	\$5,143	\$5,156	\$5,097	\$4,892	\$5,861
Security Loans, Federal Reserve reporting member banks (millions)	\$3,395	\$3,421	\$3,256	\$3,126	\$4,476
Brokers' Loans, Federal Reserve reporting member banks (millions)	\$1,295	\$1,325	\$1,177	\$1,011	\$1,049
Stock Prices (average 100 stocks, Herald-Tribune)	\$118.05	\$117.40	\$115.43	\$102.44	\$99.57
Bond Prices (Dow, Jones, average 40 bonds)	\$102.79	\$102.67	\$101.93	\$96.85	\$88.45
Interest Rates—Call Loans (daily av'ge, renewal) N. Y. Stock Exchange	1%	1%	1%	1%	1.3%
Interest Rates—Prime Commercial Paper (4-6 months) N. Y. City	2%	2%	2%	1%	1.6%
Business Failures (Dun and Bradstreet, number)	192	172	174	229	388

* Factor in Business Week Index *Preliminary †Revised. ‡New series.

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Business Week



ALL HONOR TO SHARP PENCILS

WHEN A MAN makes a revolutionary discovery which presents to industry a totally new common metal, he may be pardoned for visionary dreams of an easy path to fame and fortune.

Certainly this was the expectation of Charles Martin Hall, the 22-year old woodshed experimenter who, in 1886, discovered the commercial process whereby Aluminum could be produced economically.

But Hall and his venturesome backers of fifty years ago made little progress in creating an Aluminum industry until they grappled with the realities of the sharp pencils of commerce: the calculating pencil of the engineer, the challenging pencil of the architect and the designer, the close-figuring pencil of the purchasing agent.

It was because of the challenge of these sharp pencils, in the hands of customers and competitors, that the pioneer makers of Aluminum (originally the Pittsburgh Reduction Company, now Aluminum Company of America) eventually found themselves part of a thriving new industry.

The obligation of a business to its customers is obvious. But this business owes quite as great a debt to its competitors.

The keen competition offered by the many fabricators within the Aluminum industry has not

only stimulated our own efforts, but has also spread the gospel of Aluminum faster than any one organization could possibly have done.

To the producers of other basic materials and metals also belongs a generous measure of credit for the progress of the young industry. Their honest competition speeded the search for cheaper methods of Aluminum production and fabrication, and the development of new strong alloys. Their well-earned position in many fields has forced Aluminum to create new markets for itself, thus serving its own best interests as well as the general economic good.

After all, is there any real conflict between the basic metals and materials? Is not the actual conflict with natural forces — against gravity, in the matter of weight; against inertia as affecting mass-in-motion; against corrosion and harmful chemical action; against stresses and other created forces?

These natural forces the Aluminum industry regards as its real competition. In the fullness of time every basic material will find its own natural and intended place in the economic scheme of things.

Meanwhile, Aluminum asks to be looked upon as a friendly metal, ready to go to work in effective partnership with other metals and materials wherever and however the sharp pencils of commerce figure that human welfare can best be served.

A FIFTIETH ANNIVERSARY MESSAGE FROM

ALUMINUM COMPANY OF AMERICA

The Business Outlook

AS far as current business activity is concerned, there is considerable basis for optimism. Electric power broke through to set a new all-time high this month. Steel producers are just finishing the best period since the second quarter of 1930. Two weeks of heavy construction contracts have just been closed. Automobile sales have been running along so well that factories have maintained assemblies at more than 100,000 cars a week. Farm and food prices are taking an upward turn. And Congress has adjourned for the rest of the year.

Here and there a note of anxiety creeps into industrial news. Probably the prospects of increasing labor difficulties head the list of worries in steel, rubber, and motors. Demands for higher wages and shorter hours are cropping up all over the lot.

Oil Consumption Is Slow

Oil interests aren't altogether satisfied with the speed with which gasoline stocks are declining. Weather in the important consuming areas of the East hasn't been too good this month, and price concessions have appeared.

Problem of Forward Buying

The steel industry is also concerned about the amount of business booked this month at the expense of next. It apparently has been more substantial than at first thought. Some motor companies have protected themselves against the new prices, but most of them are not ready with 1937 specifications. Railroads, too, have become more active buyers in view of the price boost on tie plate, spikes, bolts, and the scheduled increases for rails for fourth-quarter delivery.

Administration vs. Steel

Nor is the steel industry particularly happy about the rebuffs received recently from the Administration. Cancelling the Jones & Laughlin contract when that firm was cited by the National Labor Relations Board for unfair labor practices despite the New Orleans court decision against the board, plus the charge of collusive bidding, has rubbed the steel crowd the wrong way. In addition the Walsh-Healey bill fixing minimum wages and maximum hours for labor on government contracts got under the line in the closing hours of Congress.

Big Month for Automobiles

Just how much effect the curtailment of motor production next month will have on the general business tone remains problematical. May sales for passenger cars have undergone a second revision upward as more returns from the farm states indicate unexpectedly good buying. Only three

NEW BUICK PLANT

Buick will spend \$1,500,000 immediately for new building to provide additional 400,000 sq.-ft. of floor space. Part of program includes new transmission plant with capacity of 70,000 units monthly. Buick is said to have bought about 800 machine tools and other pieces of equipment for transmission plant at cost of several millions.

other months in 1929 surpassed the current estimate of 400,000 for May.

Production to Be Cut

June motor production was held to better than 400,000, but the next few weeks will undoubtedly see schedules pared as new model arrangements get under way. The end of July and August should be low spots for automobile production. Just now tool and die shops around Detroit are in the midst of the once-a-year rush that comes with new models. Three shifts and six-day weeks are common.

Cement Has Big Gain

The good showing being made in the construction field this year is exerting significant pressure on closely allied industries. Cement production, for example, reached 10,985,000 bbl. in May, the highest for any month since October, 1931, and 34% better than a year ago. Shipments were running at an even better clip, 50% ahead of May, 1935. Stocks are down.

Lumber Far Ahead

Lumber production of reporting mills so far this year is running 42% ahead of last year; shipments are 26% ahead and new orders 19% ahead. In recent weeks, shipments and orders have been falling behind production.

Hardware and Farmers

Hardware sales are substantially better now than in the first quarter, when wholesale hardware sales averaged 13% better than a year ago. At the current rate, the trade estimates the wholesale division will build up

a volume of about \$510,000,000 against \$714,000,000 in 1929. Particularly gratifying to hardware distributors was the government's estimate that the number of farms had increased a half million since 1930. More farms mean more business to hardware dealers.

Glass Also Does Well

The glass industry, too, will stand to gain from the revival of building construction. Strengthening of prices of window glass comes as a boon to the trade. Plate glass which set a new high last year under the expansion of automobile output is destined to set another record in 1936. Glass container production is making a fair gain over 1935, with sales of glass beer bottles reported 66% ahead of the first five months of 1935.

Too Much Whisky?

When the Bureau of Internal Revenue reported that whisky stocks in bonded warehouses were greater than ever before and that May set an all-time high for whisky production, there was some speculation in trade circles as to what it might mean for price stability, in view of the fact that consumption hasn't been all that was expected. Some were inclined to minimize the high stock situation on the ground that current figures aren't strictly comparable with pre-prohibition days. Others saw danger in continued high production, but were not alarmed at the moment because of the need to build up stocks for ageing.

Life Insurance Improves

Life insurance sales that have been making such poor comparisons with a year ago are beginning to catch up with last year's level. By May, ordinary life insurance was less than 1% behind a year ago while January had started out with a 26% loss. Industrial and group insurance have been the best sellers compared with 1935 and 1934, lifting the total sales in the first five months of all three types to within 4% of 1935 sales for similar months.

Big Gains in Employment

For the third consecutive month, employment and payrolls in manufacturing and non-manufacturing industries have been rising, contrary to normal expectation at this time of year. Hence it is no wonder that retail sales have registered similarly unusual gains, even without the aid of the soldier bonus. Many of the heavy industries like steel, foundries, and machine shops now employ more workers than in any month since September, 1930. Payrolls in durable goods plants are 25% higher than a year ago when NRA passed out.



Salesman: NEW STYLE

HE COVERS HIS TERRITORY... BY TELEPHONE... BETWEEN PERSONAL TRIPS

Time was when he wasted hours in lobby waits and useless visits. Now, before every trip in person, he telephones ahead to arrange appointments—and covers more territory more often. • Once, too, he made no contact with customers or prospects between trips. Now he keeps in touch by telephone—answering inquiries, making friendly suggestions, saving sales that occasionally slipped away. • Many kinds and sizes of businesses have stepped up sales volume, cut down sales costs with the help of Long Distance telephone service. Try it a week or a month and see.



JUNE 27, 1936

New Taxes Mean Higher Prices

Business analyzes the effects of Roosevelt's anti-big-business measure. Small firms gain temporarily but are apt to be hurt later.

EXPERIENCE went by the board this week when business began dishing the effects of the 1936 out-the-surplus tax law. Here was something without precedent: a sharply graduated tax on net income, followed by an even more sharply graded impost on undistributed earnings. For corporations, it means immediate adjustments in operating plans; for the country, it promises a subtle, but none the less definite, reorientation of economic base.

In a nutshell, the law penalizes corporate thrift. No longer may companies become the storehouses of national reserves, unless they pay dearly for it—as much as 27¢ on the dollar. Which implies, of course, that business will attempt to pay out to stockholders all that it can, without endangering financial standing. As a corollary, it follows that rainy day reserves will certainly not expand (even if they do not decline).

How It Will Operate

The result seems clear. The new scheme seems destined to emphasize booms and aggravate depressions. In boom times, the check-valve of corporate conservatism, calling for allocating a portion of earnings for the years to come, will be thrown wide open. In the lean years, the cushion of dividends out of surplus will not be around to soften the plop.

President Roosevelt does not figure it that way. His philosophy is that the individual, rather than the corporation, should be the hoarder of wealth—if wealth must be hoarded. This serves a double purpose: first, it strikes a blow at concentrated corporate power; second, it tends to force out to the stockholder the funds the corporation otherwise might retain. So, in putting the presidential seal on the Revenue Act this week, Mr. Roosevelt got what he wanted:

1. An estimated increase in annual revenues of \$700,000,000 (not including the \$80,000,000 windfall levy on processing taxes; this is applicable only to 1936).

2. Normal income taxes on corporations steeply graduated as follows: 8% on first \$2,000; 11% on next \$13,000; 13% on next \$25,000; 15% on income above \$40,000.

3. The thrift-penalizing graduated tax ranging from 7% to 27%, based on the proportion of earnings retained by the corporation.

4. Imposition of the normal income tax on dividends (in effect subjecting stockholders to a triple levy: (a) the regular corporation tax; (b) the tax on surpluses held in corporation tills; (c) the direct tax on dividend income).

Since it was the President's objective to pump into circulation so-called sterile surpluses of corporations—in order to decentralize industrial power—it was to be expected that special dispensations would be made for smaller companies. And there were.

The graduated normal tax spots companies with an earning power of \$40,000 or less an advantage; and the provision permitting corporations to apply the 7% retained earnings tax to the first \$5,000 or first 10% of net income (whichever is larger) helps. But, after that, the tax program works with reverse English.

A small enterprise which retains a good portion of its income will suffer the full brunt of the retained earnings levies in the high brackets—once undistributed income exceeds the \$5,000

mark (see tabulations, page 13). To avoid the high surtaxes, these small concerns would have to pay out most of their earnings in dividends; but unlike the larger corporations, with fat cash surpluses, they are seldom in a position to do so. Net result: the law will tend to destroy the very type of enterprise it was intended to save.

The legislation, moreover, is economically unorthodox. It strives toward social justice but will operate with a vindictive twist. It sounds swell to say that size determines ability to pay. But in taxation that simply does not obtain. For this reason: corporate taxation is an imposition on production; whatever a corporation pays in taxes, it passes on to the consumer; inevitably prices must rise or fall with taxation.

Increasing Costs of Living

Thus, a graduated tax—aimed to hit the larger corporations—only serves to increase the cost of living. Business will have to raise prices in order to provide for the new governmental levies—unless, of course, companies decide to pay out all earnings to avoid the charges, an unlikely contingency.

That, of course, brings politics in conflict with economics. The whole trend in corporate development in the United States has been toward lower costs. An automobile today sells for \$1,000 or less—compared to \$5,000 a generation ago. Steadily, selling prices have been cut, making it possible for more persons to buy motor cars. Practical effect: there



AT LONG LAST—Congress escaped from Washington before the hottest days of summer, and in time for the majority party's convention. On the windup day, everybody was happy; House members jammed the floor to tell Speaker Bankhead goodbye.

are 25,000,000-odd roaming the highways.

Now, along comes the government and issues a blank order: "Stop lowering prices." That is its basic import. For corporations are only tax-gatherers. They collect the levies, turn over the collection plates to the government. The greater the sum in the collection plates, the greater will be the cost of production.

And by graduating the imposts, the government makes it easier for smaller companies to survive, even if they are not as efficient as large companies. A premium is placed on incompetence. By boosting the production cost of the big fellow through taxation, the little fellow can get by on high production costs and high prices.

Making Survival Difficult

Hence we find the tax scheme doing this: placing a premium on inefficiency by giving small companies a concession, yet making it hard for small companies to survive, because they seldom are in a position to pay out in dividends a large portion of earnings.

Corporations already are considering methods of building up cash reserves without paying the high surtaxes. There are ways (of varying value):

1. Depreciation. By establishing high depreciation reserves, cash can be conserved; but the government has rigid rates for depreciation and obsolescence, so that dangers of a belated assessment lurk in this procedure.

2. Maintenance. Again the government has fairly rigid schedules.

3. Advertising. This is considered a legitimate business expense. Companies may decide on large expenditures, either to expand new business or for the development of institutional good will. The effect would be to build up a substantial "good will" as a future surplus item, without being taxed.

4. Increasing costs. On the surface, this hardly seems to make sense. But clearly, if the government is to take as much as 27%, many companies may decide to give employees a bonus or a percentage of wages and salaries at the end of a business year.

5. Paying dividends and taking them back. This can be done by declaring a cash payment to stockholders and asking stockholders to subscribe to stock in the corporation to the amount of the disbursement. Another scheme would be to declare stock dividends—but in this case there is the ticklish matter of interpretation: whether it is a dividend or not.

It is to be expected that business will take advantage of all means possible to escape the rigors of the surtaxes—particularly when the small company obtains concessions and when certain companies are specifically exempt. For example, corporations with contracts



A \$50,000,000 JOB GETS UNDER WAY—Without fanfare or silver shovels, New York got its World's Fair work started this month, with preliminary clearing and grading of the site. Some 500 men now are on the job, which will continue until the opening day in the summer of 1939, at an estimated cost of \$50,000,000. First step is to level "refuse mountains" near Flushing, Queens, and to grade and fill about 1,000 acres of undulating meadows and swamp land, preparatory to the laying out of exhibition space.

(outstanding before May 1, 1936) restricting dividend payments can escape the burdens of the surtax. Thus, if two companies are in the same business, and one has such a contract and the other has not, there is an obvious arbitrary handicap imposed on the company without a dividend restriction.

Full of Dilemmas

As for holders of bonds and preferred stocks, their investment positions are jeopardized. If corporations are predisposed by statute to pay out surpluses, the protection of reserves for coupon and preferred dividend payments in dull times will be attenuated. In instances of companies with large arrears on preferred stocks, the impulse will be toward rapid payment; but that, on the other hand, might result in impairment of (a) working capital and (b) trade position. But such is this law: full of dilemmas for corporation comptrollers.

Banks, insurance companies, and other associations with fiduciary responsibilities (in which large reserves are essential even in the out-the-surplus lexicon) are specifically exempt from the undistributed profits surcharge. So are companies in reorganization. But the holding company comes in for a new dose of rough handling. Intercompany dividends, heretofore exempt up to 90%, will be exempt up to only 85%. Which should tend to increase the cost of intermediate holding companies and drive toward simplification of capital structures. That has its favorable side when simplification is economically desirable, but its bad aspect when such forced liquidation opposes corporate as well as public interest. There are cases (particularly in the utility field) where separate corporate identities are an economic advantage.

Labor Gets Its Law

Walsh-Healey government contract bill passed in modified form. Snooping is feared.

WASHINGTON (*Business Week Bureau*)

—By parliamentary sleight-of-hand that left opponents wrangling over points of order in the closing minutes of the session, the Senate passed and sent to the President the House version of the Walsh-Healey bill regulating working conditions in the fulfillment of government contracts.

Although all specific references to NRA had been eliminated, the bill was a direct result of the Supreme Court decision outlawing the Blue Eagle. As originally introduced last summer by Sen. Walsh, and passed by the Senate at that time, it expressly stated the Administration's determination that, although unable legally to regulate working conditions generally, it would do so wherever federal money was involved.

Into the Wastebasket

Regardless of the merits of this objective, the bill promised so much complication in administration and enforcement that a subcommittee of the House Committee on Interstate and Foreign Commerce, after much travail, threw it into the wastebasket and substituted an entirely new and relatively milder measure. This is limited to contracts over \$10,000 for "materials, supplies, articles, or equipment" bought by the regular agencies and by wholly-owned government corporations only. Exempted from its provisions are purchases "such as may usually be bought in the open market," perishables, and agricultural products. Individual ex-

Figuring The New Taxes—Their Practical Effect

Corporate accounting procedure gets a jolt from the 1936 revenue act. Whereas formerly accountants dealt with constant, positive percentages, applied to dollar income, the act introduces the variable factor of dividends. Directors now must weigh taxes against surpluses; dividends against expansion. Hence policy will decide in large part the taxes to be paid. Note (below) how taxes vary inversely with dividends; also how the amounts compare with former levies.

Corporations with \$25,000 Net Income

Dividends	Tax on Net Income	Tax on Retained Earnings	Total Federal Tax
None	\$2,890	\$3,975	\$6,865
\$2,500	2,890	3,300	6,190
5,000	2,890	2,625	5,515
10,000	2,890	1,472	4,362
15,000	2,890	603	3,493
20,000	2,890	148	3,038
22,110	2,890	None	2,890

In 1935, taxes at 13½% would have been \$3,437.50; under superseded Revenue Act of 1935, taxes would have been \$3,340.

Corporations with \$50,000 Net Income

Dividends	Tax on Net Income	Tax on Retained Earnings	Total Federal Tax
None	\$6,340	\$8,823	\$15,163
\$5,000	6,340	7,473	13,813
10,000	6,340	6,123	12,463
20,000	6,340	3,582	9,922
25,000	6,340	2,482	8,822
40,000	6,340	256	6,596
43,660	6,340	None	6,340

In 1935, taxes at 13½% would have been \$6,875; under superseded Revenue Act of 1935, taxes would have been \$6,940.

Corporations with \$100,000 Net Income

Dividends	Tax on Net Income	Tax on Retained Earnings	Total Federal Tax
None	\$13,840	\$17,662	\$31,502
\$10,000	13,840	14,962	28,802
25,000	13,840	10,912	24,752
50,000	13,840	4,939	18,779
75,000	13,840	908	14,748
86,160	13,840	None	13,840

In 1935, taxes at 13½% would have been \$13,750; under the superseded Revenue Act of 1935, taxes would have been \$14,440.

Corporations with \$1,000,000 Net Income

Dividends	Tax on Net Income	Tax on Retained Earnings	Total Federal Tax
None	\$148,840	\$174,487	\$323,327
\$100,000	148,840	147,487	296,327
250,000	148,840	106,987	255,827
500,000	148,840	47,464	196,304
750,000	148,840	7,883	156,723
851,160	148,840	None	148,840

In 1935, taxes at 13½% would have been \$137,500; under superseded Revenue Act of 1935, taxes would have been \$149,440.

What 1936 Tax Law Would Have Meant to Corporations in 1935

Company	Estimated 1935 Federal Tax	Estimated New Income Tax	Estimated Retained Earnings Tax	Estimated Total New Taxes	Change from 1935	% Change
\$500,000 Net Income or Less						
Chain Belt.....	\$58,900	\$62,000	\$29,300	\$91,300	+\$32,400	+54.9
Eureka Vacuum Cleaner.....	39,000	41,500	5,000	46,500	+7,500	+19.2
General Asphalt.....	25,000	25,600	7,300	32,900	+7,900	+31.6
Industrial Rayon.....	101,300	105,200	None	105,200	+3,900	+3.9
International Salt.....	50,300	52,700	None	52,700	+2,400	+4.8
Irving Air Chute.....	54,700	57,500	24,500	82,000	+27,300	+49.8
Munsingwear.....	53,300	56,000	27,100	83,400	+29,800	+55.8
National Acme.....	30,000	42,000	50,300	92,300	+62,300	+207.6
\$500,000 to \$1,000,000 Net Income						
Allen Industries.....	\$87,700	\$92,800	\$60,300	\$153,100	+\$65,400	+74.6
Bridgeport Brass.....	118,300	125,600	81,600	207,200	+88,900	+75.2
Florsheim Shoe.....	87,000	100,600	21,800	122,400	+35,400	+40.6
General Railway Signal.....	113,800	120,700	29,200	149,900	+36,100	+31.8
Noblit-Sparks.....	90,800	96,100	58,600	154,700	+63,900	+70.4
Pet Milk.....	129,200	136,400	31,200	167,600	+38,400	+29.8
Superheater.....	89,600	94,800	10,100	104,900	+15,300	+17.2
\$1,000,000 to \$5,000,000 Net Income						
American Chiclé.....	\$421,200	\$458,400	\$121,900	\$580,300	+\$159,100	+37.8
American Water Works.....	568,900	608,300	202,800	811,100	+242,200	+42.6
American Woolen.....	456,000	478,300	557,200	1,035,500	+579,500	+127.1
Atlantic Refining.....	646,400	691,400	154,400	845,800	+199,400	+30.9
Atlas Powder.....	194,300	202,100	17,700	219,800	+25,500	+13.1
Bon Ami.....	160,600	173,400	1,100	174,500	+13,900	+8.6
Goodrich (B. F.).....	600,000	603,300	702,400	1,305,700	+705,700	+117.6
U. S. Rubber.....	365,200	383,200	453,300	836,500	+473,300	+130.3
U. S. Steel.....	186,700	198,500	None	198,500	+11,800	+6.4
Youngstown Sheet & Tube.....	260,100	277,500	268,200	545,700	+285,600	+109.8
\$5,000,000 to \$10,000,000 Net Income						
Air Reduction.....	\$915,000	\$930,000	\$55,800	\$985,800	+\$70,800	+7.7
Borg-Warner.....	1,136,700	1,216,700	817,100	2,033,800	+897,100	+78.9
Consolidated Gas of Baltimore.....	1,023,700	1,095,600	73,200	1,168,800	+145,100	+14.2
Goodyear Tire & Rubber.....	887,600	949,800	335,600	1,285,400	+397,800	+44.8
Libbey-Owens-Ford.....	1,400,000	1,433,900	855,300	2,289,200	+889,200	+63.5
Owens-Illinois Glass.....	1,269,100	1,371,700	390,000	1,761,700	+492,600	+38.8
Wrigley (Wm.) Jr.....	1,140,700	1,328,600	48,000	1,376,600	+235,900	+20.7
\$10,000,000 to \$25,000,000 Net Income						
American Smelting & Refining.....	\$2,241,300	\$2,400,300	\$568,700	\$2,969,000	+\$727,700	+32.5
Briggs Mfg.....	1,508,400	1,615,000	427,700	2,042,700	+534,300	+35.4
Commonwealth & Southern.....	1,531,300	1,639,500	730,600	2,370,100	+838,800	+54.8
General Foods.....	1,909,700	2,044,900	199,200	2,244,100	+334,400	+17.5
National Biscuit.....	1,625,600	1,740,600	None	1,740,600	+115,000	+7.1
Pittsburgh Plate Glass.....	1,855,600	1,987,000	670,700	2,657,700	+802,100	+43.2
\$25,000,000 Net Income and Over						
American Tel. & Tel.....	\$21,617,700	\$23,160,700	None	\$23,160,700	+\$1,543,000	+7.1
American Tobacco.....	3,953,000	4,234,200	None	4,234,200	+281,200	+7.1
Chrysler.....	5,693,700	6,099,300	\$4,747,400	10,846,700	+5,153,000	+90.5
General Electric.....	4,532,700	4,855,300	833,300	5,688,600	+1,155,900	+25.5
General Motors.....	29,465,900	29,502,700	7,953,100	37,455,800	+7,989,900	+27.1
Pennsylvania Railroad.....	3,882,500	4,158,700	1,464,200	5,622,900	+1,740,400	+44.8
Standard Oil Co. (N. J.).....	10,233,500	10,963,300	1,069,200	12,032,500	+1,799,000	+17.6

Business Week

What Congress Did To and For Business

NEUTRALITY

Extended until May 1, 1937, previous restrictions on exports to belligerent nations. Public Resolution 74.

VETERANS' BONUS

Directed immediate payment of adjusted compensation certificates at matured value of \$3,456,000,000 which, after deducting prior loans, is estimated at \$1,925,000,000. Public Law 425.

SOIL CONSERVATION

Substitute for AAA, establishing system of benefit payments to farmers for using methods designed to maintain and restore soil fertility. Public Law 461.

TAXES

Imposed 8% to 15% rates on corporate income and 7% to 27% on retained earnings; made normal individual income tax applicable to dividends; provided for collection of "windfall" processing taxes. Expected increase in revenues: \$785,000,000.

RELIEF

Appropriated \$1,425,000,000 for continuing work-relief program (WPA) at discretion of President and \$300,000,000 for public works, latter to be distributed by PWA as 45% grants against cost of non-federal projects.

MUNICIPAL BANKRUPTCY

Extended until Jan. 1, 1940, Municipal Debt Adjustment Act; but Supreme Court held this unconstitutional May 25, 1936. Public Law 507.

TOBACCO

Authorized producing states to enter compacts for production and marketing. Public Law 534.

SHIP SUBSIDY

Provided for direct subsidies on construction and established a Maritime Authority to replace Shipping Board.

DISASTER LOANS

Authorized RFC to loan \$50,000,000 for rehabilitation of property damaged or destroyed by floods and other catastrophes. Public Law 525.

OMNIBUS FLOOD CONTROL

Authorized appropriation of \$300,000,000 for flood control projects throughout United States. Accepted flood control as federal responsibility in cooperation with states.

MISSISSIPPI FLOOD CONTROL

Authorized appropriation of \$272,000,000 for carrying on Markham flood control plan for lower Mississippi.

FLOOD COMPACTS

Authorized New England and Ohio Valley states to enter into compacts for flood control. Public Resolution 104.

CIVIL SUITS

Plugged loophole in judicial procedure through which holding companies and parent corporations might strip subsidiaries of assets to loss of latter's minority stockholders. Public Law 522.

SUGAR QUOTAS

Reenacted sugar quota provisions of Jones-Costigan Act and other provisions not invalidated by Supreme Court.

EHFA

Extended life of Electric Home & Farm Authority to Feb. 1, 1937, to conform with expiration of RFC lending powers. Public Law 484.

These Did Not Pass

COAL—Revised Guffey bill to reenact price-control sections of unconstitutional coal NRA.

FTC—To expand duties of Federal Trade Commission by giving it control over deceptive practices as well as "unfair competition," and to initiate investigations.

RAILROADS—Extending term of Federal Coordinator of Transportation to Sept. 17, 1936.

FARM BENEFITS—Providing graduated payments in soil conservation program, according to size of farm operation.

STREAM POLLUTION—Creating division in Public Health Service to aid state control measures.

BANKRUPTCY—Revising rules for creditor reorganization petitions under Section 77B.

LONG-AND-SHORT-HAUL—To repeal law prohibiting railroads from charging a higher rate for a short than a long distance on the same route in the same direction.

TEXTILE NIRA—To regulate wage and working conditions in textile industry.

NATURAL GAS—To regulate interstate transportation of natural gas.

FOOD AND DRUGS—Amends Food & Drugs Act of 1906 to tighten restrictions on labeling, and initiate advertising control.

BANKING—Series of amendments to banking laws relating to administrative powers of Currency Comptroller, conversion of state banks into national banks, payment of dividends on common stock, etc.

ANTI-LOBBYING—Requiring registration and filing of accounts by persons and organizations attempting to influence legislation.

FRAZIER-LEMKE BILL—To refinance farm mortgages by issuance of \$3,000,000,000 in Federal Reserve notes for purchase of Farm Credit Administration bonds.

PUBLIC HOUSING—Wagner bill creating U. S. Housing Authority to supervise and make grants of 45% to low-rent projects initiated by local authorities. Authorizes appropriation of \$10,000,000 and empowers Authority to issue bonds up to \$150,000,000 this year and like amounts in each of two succeeding years.

MISCELLANEOUS—Black bill for maximum 30-hour week in industry; bill to take profit out of war; constitutional amendment permitting President to disallow or reduce any appropriation without vetoing entire bill; constitutional amendment giving Congress authority to regulate agriculture, commerce, industry and labor.

RURAL ELECTRIFICATION

Put Rural Electrification Administration on permanent basis and authorized expenditure of \$410,000,000 over 10-year period. Public Law 605.

BANK STOCK

Exempted from taxation preferred stock, capital notes and debentures of banks while owned by RFC. Public Law 482.

DEPOSIT INSURANCE

Extended to July 1, 1938, power of Federal Deposit Insurance Corp. to make loans, purchase assets or guaranties to reduce or avert threatened insurance losses. Public Resolution 83.

COMMODITY CREDIT

Increased capital stock of Commodity Credit Corp. by \$97,000,000 from RFC. Public Law 489.

COMMODITY EXCHANGE ACT

Amended Grain Futures Act to regulate trading in wheat, cotton, rice, corn, oats, barley, rye, flaxseed, grain sorghums, mill feeds, butter, eggs and Solanum tuberosum (Irish potatoes). Public Law 675.

UNLISTED SECURITIES

Extended trading in unlisted securities on national exchanges and put into law SEC regulations of over-the-counter markets. Public Law 621.

RAILROAD RETIREMENT

Enacted substitute for pension law previously declared unconstitutional by Supreme Court. Public Resolution 68.

FEDERAL-AID HIGHWAYS

Authorized appropriation of \$476,000,000 for highway construction in 1937 and 1938, including \$100,000,000 for grade-crossing elimination.

STRIKEBREAKING

Sought to curb activities of strike-breaker agencies by prohibiting interstate transportation of "finks" and imposing drastic penalties.

ANTI-PRICE DISCRIMINATION

Forbade discrimination in prices among customers buying equivalent quantities of goods in interstate commerce and empowered Federal Trade Commission to fix maximum quantity discounts.

HOME MODERNIZATION

Extended Title 1 of National Housing Act for insurance by FHA of modernization loans from April 1, 1936, to April 1, 1937, excluding loans for \$2,000 and less for purchase of equipment. Public Law 486.

PWA HOUSING

Authorized payment of service charges in lieu of taxes to municipalities in which projects are located.

LIQUOR

Set up separate Federal Alcohol Administration, cut tax on domestic wines, permitted shipment of beer in tank cars.

AIRPLANE LABOR

Extended Railway Labor Act to common carriers by air and their employees and established National Air Transport Adjustment Board. Public Law 487.

GOVERNMENT CONTRACTS

Provided that contracts in excess of \$10,000 shall be awarded only to employers paying prevailing wage rates as determined by Secretary of Labor, observing a 40-hour week. Also banned child labor.

emptions and modifications may be granted by the secretary of labor when justified. Eliminated are those sections which carried the restrictions back to material men, subcontractors, and others beyond the control of the contractor.

For those who still remain within its scope, however, the requirements are stringent. They include: (1) payment of prevailing wages, as determined by the secretary of labor; (2) the 40-hour week; (3) no convict labor, and a minimum age-limit of 16 for males, 18 for females; (4) compliance with state safety, sanitary, and factory inspection laws. In addition, bidders are limited to actual manufacturers and dealers, thus outlawing the practice of bid-peddling. The law will go into effect 90 days after its approval by the President.

Business reaction to the measure is

a mixture of relief at its escape from the drastic original, and resentment at the prospective "nuisance value" of the substitute. It is pointed out that the determination of "prevailing wages" is entirely at the discretion of the secretary of labor, an official normally inclined to sympathize with the organized wage scale. The 40-hour provision is criticized as being too inflexible and not in keeping with general practice in many parts of the country. But the main drawback is in the unlimited opening it presents for government snooping into the payroll records of the firms doing business with the federal establishment.

As with many another law, the true measure of the effect of the Walsh-Healey Act on business will depend largely upon the spirit in which it is enforced.

unions which have been with them since the C.I.O. was organized, plus one new convert, the Amalgamated Association of Iron, Steel & Tin Workers. Despite its impressive name, the Amalgamated is puny: its membership is around 10,000 in an industry which employs 500,000 men. But with the C.I.O. back of it, the ancient steel union has plenty of power.

Fast work is expected in the drive. The Murray committee has taken over an entire floor in the Grant Building in Pittsburgh. Some 200 organizers are starting this week to sign up steel workers on \$1 memberships in the Amalgamated—the memberships are good for only one month but within that time there may be fireworks enough to keep workers in the big tent.

Chairman Murray Scornful

Disclaiming any intention of causing trouble or fomenting strikes, Chairman Murray looks with scorn upon reports that the steel mills may beat him to the punch by raising wages. These "gestures" are made to dissuade workers from joining, he admits, but "no obstacle which may be thrown in the way of this committee will deter it."

Nevertheless, vacations with pay have been instituted for steel workers and have made thousands of them more friendly to the boss, and the talk of wage raises has taken some force from the unionization drive, even before it begins. There is good prospect for fair treatment to stall the campaign, according to observers, but equally evident is a possibility of management's under-rating the organizers as Joe Louis under-rated Schmeling. In that case there may be strikes before long.

Steel Faces Double Attack

Roosevelt orders Department of Justice to prepare action against basing-point system. Lewis hires 200 organizers to unionize workers.

STEEL, under attack on two flanks this week, turned its attention to plans for throwing the weight of its five-billion-dollar industry into the battle against those who would (1) organize the half-million steel employees into a vertical, single-industry unit, and (2) wreck its system of price practices.

Thus far, the great steel manufacturers have balked at attempts to change the basing-point method of keeping one plant's delivered prices identical with those of every other plant. Government purchasing agents in particular have been irked by the system; several months ago President Roosevelt asked the Federal Trade Commission to look into the matter, following repeated protests from Sec. Ickes. Identical bids on steel for Public Works Administration jobs looked like monopolistic action to the secretary. And this week's letter by the President, asking the Department of Justice to take "appropriate action," looked like a declaration of war.

Legislation Asked

Probable outcome, indicated in FTC's recommendation to the President, is anti-basing-point legislation in the next Congress. The President has asked the Attorney General to prepare a draft for such legislation, after renewed study of identical bidding. Previous moves to hand the reins to Congress (such as the Wheeler anti-basing-point bill) have been knocked off the legislative track after the industry expressed its vigorous opposition in public hearings. Under the President's orders, all federal purchasing officials will collect evidence regarding "collusive or identical bidding."

Administration maneuvering is enough to keep the steel strategists busy, by itself, but actual results in that quarter will be delayed. In the meantime, beginning this week, there's another pressing problem—labor. John L. Lewis and his Committee for Industrial Organization are ready to go over the top.

Ten unions now make up the C.I.O., and Chairman Lewis has made Philip Murray chairman of the Steel Workers Organizing Committee. Both are mine union officials. Back of them are the



THESE MEN LEAD THE STEEL LABOR DRIVE—The country has been mapped out and divisional chiefs appointed, \$500,000 is in hand for expenses, and the campaign to organize steel mill labor is on. Seated, from left: Joseph Gaiher and Tom Gillis, vice-presidents Amalgamated Association of Iron, Steel, and Tin Workers; Dave McDonald, committee secretary-treasurer; Philip Murray, chairman; Leo Kryzcki, vice-president Amalgamated Cloth Workers; Julius Hochman, vice-president Ladies Garment Workers. Standing: Clinton D. Goldman, director Pittsburgh campaign; Van A. Bittner, director Chicago area; P. T. Fagan, United Mine Workers official; Lee Pressman, general counsel; John Brophy, director Committee for Industrial Organization.

Drug Bill Still Confronts Admen

Measure defeated in House presents problem at meeting of Advertising Federation, during silver jubilee celebration of "Truth in Advertising."

NEXT week at the Hotel Statler in Boston, the Advertising Federation of America, biggest and most inclusive of the advertising associations, will hold its 32nd annual convention and celebrate the silver jubilee of the "Truth in Advertising" movement, born at the Boston convention of 1911.

Last week in Washington the 74th Congress, careering madly to a close, took one action which will add a concrete and realistic note to the convention's consideration of how to enforce ethics in advertising.

With Rep. McReynolds' denunciation of Rexford Guy Tugwell ringing in its ears, the House rejected by a vote of 170 to 90 the final conference draft of the Copeland pure food and drug bill. Thus were nullified three years of work on the part of advertising interests to compose their differences of opinion with the Food & Drug Administration and to perfect a piece of legislation for reasonable though effective regulation of advertising.

In that effort, the A.F.A. has played an important role, frankly admitting that nothing short of federal control would suffice to preserve the necessary ethical plane and restore consumer confidence in advertising. First of the many trade associations to express this point of view, the A.F.A. endorsed the legislation long before general industry approval was won by final compromises and refinements.

Too High a Hurdle

The single point on which the bill was finally wrecked was the question which government agency would administer the advertising control sections of the act. One year ago, when the Senate passed the measure, the advertising control was lodged with the Food & Drug Administration.

When the bill finally emerged 10 months later from the House Interstate Commerce Committee (BW—May 30 '36, p14), supervision of advertising was awarded to the Federal Trade Commission. This shift in authority was urged by patent medicine interests, strongly supported by the commission itself, and opposed by most other trade interests on the ground that divided authority would give rise to conflicting interpretations and enforcement activities.

As a result of Sen. Copeland's last-minute plea to the President, the House version of the measure was called up for action Friday and passed. Conferees on Saturday speedily adjusted the several differences, compromising on the question of advertising regulation by

giving F&DA authority over all advertising which involved curative claims, FTC control over other misrepresentations and economic frauds. The Senate approved the conference draft, only to see it damned in the House by charges of Tugwellism which in so far as this measure was concerned had lost their aptness a full two years ago.

Thus the A.F.A. in its consideration of advertising ethics is presented with a problem of considerable practical import. Next year the fight for a food and drug bill will start over again. In the interim the issue may be footballed around in the political campaign. To offset unfavorable consumer repercussions, advertising, it is generally agreed, will have to make clear its position on the issue. The A.F.A. meeting is expected to afford that opportunity.

In view of the special anniversary nature of the meeting, a record attendance of representatives from the local advertising clubs which comprise the A.F.A.'s membership is expected. Twelve departmental groups, including the Sales Promotion Division of the National Retail Dry Goods Association, the Public Utilities Advertising Association, and the Outdoor Advertising Association, will hold their annual sessions concurrently.

Parking Meters Gain

Many cities are installing them, although auto clubs object. Cops' job is easier.

AUTOMOBILE clubs are getting all fussed up over the parking meters. This automatic taxing device has now been installed in many cities. Dallas has 1,400, Houston 1,000, El Paso 500, Oklahoma City 775, Kansas City 2,000, Miami 400, St. Petersburg (Fla.) 150. Fort Worth, Tex., and Salt Lake City are also trying them in some part of the congested traffic area. Other cities are toying with the idea—including New Haven, Syracuse, Baltimore, Washington, Toledo, and San Francisco.

Topeka merchants recently visited Oklahoma City to see how they worked out there and have petitioned the City Commission to install them.

But the American Automobile Association has just passed resolutions condemning the plan and all its works. The local automobile clubs in Parkersburg, W. Va., Tulsa, Davenport, Chicago, Denver, and Spokane have fought them and in several cases successfully. However, the club in St. Petersburg,

Fla., declared in favor of meters, also the El Paso Club.

Principal objections are: it is one more tax on the harassed car owner; it makes him pay for a device to help apprehend himself for parking violations; it will not relieve traffic congestion; it enriches a private company, the Dual Parking Meter Co., of Oklahoma City, by municipal ordinance; it sells to a few citizens the use of the streets which belong to all. And the Oklahoma court that recently upheld the legality of the system said that the revenue collected was excessive, since an ordinance under police power can collect only enough to defer the cost of the use of such a device.

Estimated New York Revenue

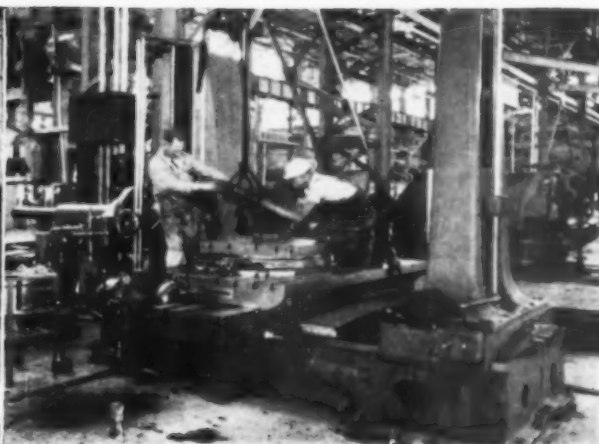
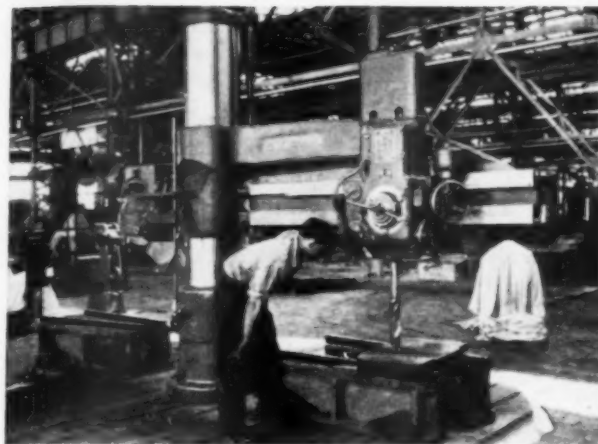
How great a burden to car owners this tax may become is indicated by the fact that Toledo is now planning a trial of 1,000 parking meters as a means of raising \$45,000 additional revenue for the city. The meter manufacturer estimates that 100,000 meters could be used in New York City and would produce a revenue of \$12,000,000, of which all but \$2,000,000 would be net. Dallas averages an income of 40¢ a day per meter or around \$10,000 a month.

The parker pays five cents for a specified parking time (usually an hour), two-thirds of which goes to the meter company until the installation is paid for. The meters cost \$58 each.

Street railway companies generally favor the meter. So do merchants. It tends to keep the curb clear for the "carriage trade," and shoppers like it.



IT WORKS THIS WAY—A Miami driver shows how to operate the parking meter. A coin is dropped in the slot, a metal hand shoots up and remains up until the time limit is ended, whereupon the hand drops and a parking ticket is in order.



CAPITAL GOODS ARE MOVING—There is no better sign of recovery, say economists, than sizeable purchases of capital goods. Thus General Motors' installation of heavy machinery for Fisher Body's new stamping division plant at Grand Rapids is good news

to all business. At left is a radial drill press, one of several to be put into service; at right is a horizontal boring mill. The die shop will be the first unit completed in the new body plant, and according to schedules it will be ready for use within 60 days.

If F.D.R. Gets a Second Term

What will be his attitude to business? The same as now. But he won't have his way in Congress unless Democrats win a big House majority.

WASHINGTON (*Business Week Bureau*)—What is the outlook for government intervention in business, if President Roosevelt should be reelected, whether by taxation, by regulation, by investigation, or however?

Serious consideration of this highly important question should be divided into two phases: (1) If Roosevelt is reelected as James A. Farley and the President himself confidently expect; and (2) if he is reelected as most political experts think as of the present writing—that it will be a very close election indeed.

Close Either Way

The probability is that the House will have a Democratic majority of less than 50 or a Republican majority of not more than 20. In either case President Roosevelt will not be able to pursue his ideas of social and economic reform. The fact that the Democrats will certainly retain the Senate, by a considerable majority, for two more years, and, by some sort of a majority, for four more years, is beside the point. The answer to that is that 21 Democratic senators, on the eve of their national party convention, would not vote for the Roosevelt tax bill. Eighteen of them voted against it. Two of them were paired against it. One, Sen. M. A. Coolidge, of Massachusetts, very much opposed to it at heart, but knowing it would go through, absented himself without pair.

This marks the high tide of opposition to New Deal policies by more or less conservative Democrats in this Administration. But it is an important omen of

opposition to Roosevelt should he be reelected. Assuming of course that he is reelected by a comparatively narrow majority, and has only a small lead in the House for the next two years.

The House has almost been forgotten in the last two years, so rubber-stamp in character has it become. But this has been because it has had an unwieldy Democratic majority. Members did not insurrect because their insurrection would make no difference, would not even get them any big publicity, and would only cause them to be subjected to party discipline, on party patronage (unbelievably important in the last two years), recognition in the party councils, etc.

But when the House is close a very small number of insurrectionists, by combining with the opposition, can overthrow the regular leadership. In connection with this there is no doubt whatever that the huge insurrection on the part of the Senate Democrats against the tax bill is reflected, almost proportionately, in the House.

This is vitally important because that tax bill involves not only the mere matter of revenue-raising, but the very essence of the Roosevelt ideas of economic and social reform. It is strictly in line with his declarations at Chicago four years ago in his acceptance speech, when he railed against the "piled-up surpluses" of the corporations.

If reelected, he will seek to go further in this direction. Bear in mind that the rates on undistributed earnings are far short, in the bill as passed, of Roose-

velt's suggestion. In fact his original suggestions were based far more on the reform idea than on the money-raising necessity.

If he should have an overwhelming majority in the next House, he will seek, in the next tax bill, to attain his real objectives—to raise tax rates considerably on undistributed corporation earnings.

If the Democratic majority in the next House should be small, or if the Republicans should happen to win the House (which in the opinion of experts is far more likely than the defeat of Roosevelt for President, on which the odds at the moment should be about three to two that Roosevelt will win), Mr. Roosevelt will not be able to force through the sort of tax legislation he desires.

Inflation Only Alternative

Which is vitally important, because, assuming Roosevelt's reelection, and the continuance of the present spending policy, an additional tax bill is an absolute necessity. There is, of course, the alternative advocated by Father Coughlin and Rep. Lemke, inflation, but Roosevelt is dead set against that. In fact there are those who think his eagerness to obtain the reforms he desires through the tax method actually hold back his hand from pressure on the brakes on spending.

Whatever anti-New-Deal business in general may think of Sen. George W. Norris, it has him to thank for one thing. There will not be a lame duck session of this Congress stretching until March 4 next, in which President Roosevelt, if foreseeing a new Congress much more difficult to handle, might push through his so far unattained reform measures. As Norris is in thorough accord with the Roosevelt objectives, this is one time he may regret the birth of this particular one of his babies. But there it is. As Norris himself has so often stated, its purpose is to prevent Administration

control, through lame-duck appointments, of legislation, with a legislating body already repudiated by the people.

Many of the Roosevelt objectives for the next four years are, of course, barred for the immediate future by Supreme Court decisions, plus the decision not to press for a constitutional amendment to extend federal powers. The thought here is that if President Roosevelt is re-elected, there will be enough vacancies in the Supreme Court in the next four years to open the way to a majority, though not all, of the New Deal aims. Not the full measure of NRA, against which even Justice Brandeis voted, but nearly everything else. Including the new Guffey coal act, talked to death in the closing days of Congress. Including safer ground for the government's position on the electric industry, with a court that would not restrict the government to sale of "incidental" power, incidentally produced.

On all new legislation, of course, the possibility of an insurgent House is vitally important. On repeal of any existing New Deal legislation the President is in an impregnable position. In the first place anti-New-Deal gains in the Senate are likely to be inconsequential. Whereas it would take a two-thirds majority of both House and Senate to pass a repeal measure over a Roosevelt veto.

All Depends on the House

So far as Roosevelt's personal actions as President—if re-elected—are concerned, he will continue along his present course. Always a little further to the left than his conservative friends expect. If he has a huge majority he will talk about a mandate. If he has a tight majority he will not say so much about this. But his actions will not differ on that account. They will be limited only by what he will be able to do, and that will be determined by the size of his majority in the House of Representatives.

Which in fact makes this House election the most important in many years!

Incidentally there is a great deal of talk, as a result of the Father Coughlin-Lemke-Townsend third ticket, plus the Smith-Cohalan-Reed-Colby-Ely blast—that President Roosevelt in his campaign speeches will have to go further radical in order to make up for such conservatives as he should lose.

This was the publicly stated view of the Minnesota Democrats at Philadelphia, who feared the Lemke ticket might throw their state to Gov. Landon.

But all this, and everything else for that matter, will have no effect on Roosevelt if re-elected, important as it may be in the campaign. National Committeeman Wolf's statement that "we should now edge a little further to the left" is just campaign stuff. Roosevelt will continue his own sweet way, except as hampered by the possibility of insurrection on Capitol Hill.

Bay State Cuts Machinery Tax

Drastic reduction persuades industries not to leave Massachusetts. Union labor joined employers in plea for new law and results already are evident.

PROMINENT Massachusetts industries on the point of leaving the state because of outside competition are already turning back home as an immediate result of a law passed a few days ago reducing the tax on machinery used in manufacture from an average of \$33.38 per \$1,000 of value to a \$5 minimum rate.

Joint Action Needed

Since 1920 the Bay State has been losing industries at an alarming rate, the number of employed has dropped 40%, payrolls 60%, and the value of manufactured products more still, according to a joint statement before the ways and means committee of the legislature by the presidents of the Associated Industries of Massachusetts and the state branch of the American Federation of Labor. With the aid of the New England Council, these representatives of capital and labor joined hands to help put through the new law, and it is expected that the saving of \$28.38 in machinery taxation will bring new in-

dustries into the state besides strengthening those remaining there.

At present Delaware has no local tax on machinery; 39 states impose such taxes, and eight others tax machinery under certain conditions. Massachusetts' local machinery taxes raised about \$5,600,000 in 1935. The new \$5 rate, Tax Commissioner H. F. Long estimates, will add \$1,800,000 to the corporate excise taxes levied in 1936, leaving \$3,800,000 less yield from machinery than last year.

Offsetting the Loss

Mr. Long expects the personal income tax will produce about \$16,000,000 this year, of which about \$12,000,000 will be distributed to the cities and towns in the regular fashion. The remaining \$4,000,000 will be turned over to the municipalities to offset the loss in revenue from local machinery taxes. Next year only \$3,000,000 reimbursement will be distributed, and so on until 1940, when no provision will be made for offsetting the revenue previously derived from local machinery taxation.

For a century over 80% of the Bay Staters have been dependent upon manufacturing, directly or otherwise. Over 80% of the state's products have been sold outside. Expansion was the order of the day until about 15 years ago. Since then nearly \$500,000,000 has been lost in annual payrolls, and relief outlays have risen 2,500%. As machinery is easily transported, on the whole, it has gone where least burdened by taxes.

Saving \$900,000 a Year

It is estimated that textile plants alone will save \$900,000 a year by the new bill cutting machinery taxes so drastically, and that such properties as the closed American Printing Co. at Fall River, where virtually all the machinery has been sold, will become much more attractive to those desiring to reestablish manufacturing. Public utilities are not included in the new law. Gov. Curley characterized the tax reduction act as "perhaps the most aggressive measure that has ever been taken to meet the character of the sniping competition of the past 20 years, as a consequence of which the state has suffered the loss of many industries."

The New England Council furnished the legislature with the subjoined following information about machinery taxes elsewhere:

Delaware has no such tax. Thirty-nine states have a local tax on machinery (40 before Massachusetts law), and



THE PRESIDENT TODAY—This picture, taken just before the Democratic convention, shows President Roosevelt as he looks today—a bit grayer, in good health, gravely facing a hard campaign for reelection.

*"Our men find
'COMPTOMETERS'
easy to operate"*



Centralized "Comptometer" battery, showing twenty operators in the Accounting Department of a large paper manufacturer.

MEN engaged in cost, payroll, statistical and other accounting work enjoy the advantages of "Comptometer" speed, accuracy, flexibility and ease of operation.

"For several very definite reasons, the men in our accounting offices are using 'Comptometers' exclusively for all calculating work," states the auditor of a large mid-western paper manufacturer.

"First, our men find 'Comptometers' easy to operate. When breaking in a new man on the 'Comptometer,' one of our seasoned operators spends about an hour explaining the fundamental operations—and from then on the new man starts right in on the work assigned, acquiring speed with practice. Within a short time his production is up to standard.

"Another important reason for our preference for 'Comptometers' is that the Controlled-Key safeguard blocks errors which otherwise would occur from partially depressed or fumbled key-strokes.

"Our experience over a good many years has convinced us that the 'Comptometer' is the most economical machine available—repair expense is lower . . . production higher . . . and it stands the gaff. Our branches also use 'Comptometers.'"

We will be happy to place a trial machine on your specific figure work to determine the actual savings possible. No obligation. Phone the District Manager of the "Comptometer" office in your locality, or write direct to Felt & Tarrant Mfg. Co., 1733 N. Paulina Street, Chicago, Ill.



COMPTOMETER

Reg. U. S. Pat. Off.

Reducing FIRE LOSSES *reduces* FIRE COSTS



Benjamin Franklin, founder of mutual insurance, invented this fire prevention device—a covered pan for carrying live coals.

Every property owner has an interest in every fire, because it affects the rates he has to pay for fire insurance.

Mutual fire insurance companies have long recognized the fact that the direct, effective way to reduce fire insurance cost is to reduce fire losses. Also that the way to reduce fire loss is to keep ahead of fires—prevent them.

Mutual inspection and engineering service have cut fire losses, and a tremendous saving has been passed on to mutual fire policyholders.

Policyholders are the actual owners of a Mutual fire insurance corporation. Conservation and saving in the interest of policyholders, is the sole concern of Mutual management—the authentic measure of its ability.

Every property owner will find interest in a booklet which outlines the principles and operation of Mutual fire insurance. Send for it today. Address the Federation of Mutual Fire Insurance Companies, 919 North Michigan Avenue, Chicago, Illinois.

MUTUAL FIRE INSURANCE

An American Institution

This seal identifies a member company of The Federation of Mutual Fire Insurance



Companies and the American Mutual Alliance. It is a symbol of soundness and stability

seven states (eight including Massachusetts) tax machinery under the following conditions: California—statute non-operative since 1910, except with public service corporations. Georgia—state license tax based on value of machinery. Missouri—taxed by state for license tax. New York—City of New York and some others lay tax. Ohio—taxes at

50% of value. Pennsylvania—Philadelphia, Pittsburgh, and Scranton do not tax; others do. Vermont—Non-taxable except as listed in so-called Grand List. Massachusetts—1936 act provides for elimination of local taxes on machinery and for imposition of \$5 minimum excise tax by state for each \$1,000 of valuation.

Club Comeback

The going is still tough, but organizations develop methods for recovering from their slump. Many golf courses continued on fee basis.

THE sun is beginning to break through the gunpowder smoke, but the war is not over for the clubs of the country.

Encouraged by a vista of unending prosperity and greater leisure, boom-time promoters bid against each other for club sites and sucker lists. By tortuous ways we have since come to a strange era wherein the poor, existing on government generosity, have become the leisure class. The idler of 1929 is now, more than likely, fighting hard for his income and trying on the side to rehabilitate his club.

Going Through the Wringer

Many clubs, urban and country, have been through the wringer. They now begin a new existence founded on the realities of life and finance. Last year registered gains but there are signs that hordes of persons are finding their recreation without benefit of club dues.

A recent survey of clubs hints that memberships are not only far below 1929 but are considerably less than in 1932. Figures were obtained by questioning 75 prominent clubs all over the country. They included social, professional, yacht, country clubs of all types but not business, luncheon, or bridge organizations. Totals for the 75 follow:

Year	Membership
1929.....	69,316
1932.....	62,452
1936.....	59,533

Comparatively, 1936 is 14% under 1929 and 5% under 1932. Loss in the three years following 1929 was 10%. Further evidence that things remain not so hot is discoverable in the fact that some clubs were excluded from the count because their secretaries gave only their 1936 membership; apparently they were reluctant to compare that figure with the 1929 and 1932 membership.

The above figures represent an intelligent attempt at sampling but they must be salted judiciously. In the first place, thousands of clubs are not in-

cluded. Then, the 1932 enrollments probably contained a heavy percentage of members carried on hopes rather than paid dues.

Rescue technique varies. Sometimes life is injected by drives for new types of members. In one prominent Eastern club 50 conservative members are said to have resigned on announcement that a slate of go-getter-officers had been elected on a platform of fresh, go-getter membership. Many clubs temporarily discontinued initiation fees and cut dues. Country clubs voted attractive summer membership rates. Hundreds also threw open courses to all comers on payment of greens fees.

Perhaps the strangest of all the mid-slump dodges was employed by a magnificent Westchester golf course. It was taken over by proprietors of a New York speakeasy and operated as a country affiliate.

Golf clubs were hardest hit because the expensive upkeep of greens and fairways was added to the burden of operating clubhouses. A measure of their troubles is disclosed by membership in the United States Golf Association. At the peak (1930) 1,155 clubs belonged to the organization; the current membership is 763.

Fee Courses Gain

This doesn't mean that many courses are being abandoned. The national urge to golf is so strong that nearly all courses continue somehow. One factor is the great increase in daily fee courses. A golf publication estimates that in 1935 there were 1,006 of them.

The same authority figures present total of golf club members at 625,000. This is a decline of 1,000,000 from an estimate made in 1925. If the loss were compared to 1929 it would be even more staggering.

Golf is still a big business. Total of courses (5,737) is probably the highest in history. An important factor is the increase in municipal courses, much of it due to federal grants. Such courses now total 576, compared to 184 in 1925. While these complicate the

problem of the private club, they make business for suppliers of golf equipment.

E. C. Conlin, sales manager, golf division, U. S. Rubber Products Co., expresses confidence for a good season on the return from his annual survey of national conditions. He figures that golf equipment sales this year will be 15% better than last. Players are turning from 25¢ balls to the 50¢ and 75¢ grades.

"The game is coming back," observes Mr. Conlin. "The few clubs that have folded are the ones that should never have been started."

Sample Houses

Using FHA plans, lumber manufacturers show what can be done with \$3,500.

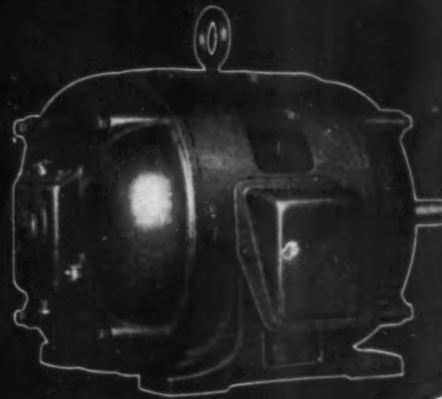
By building several of the Federal Housing Administration's "dream" houses (*BW*—April 11 '36, p. 23), the National Lumber Manufacturers Association is demonstrating in a Maryland suburb of Washington what can be done with little housing money. Work (by contract) will begin July 1, and the houses will be ready for occupancy Aug. 15. FHA's plans will, of course, be executed in lumber. Everything will be paid for—no donations of lumber or other materials.

It is hoped that the demonstration in Washington will be followed throughout the country by local and regional lumber associations and firms. Lumbermen say they will be delighted to have other building material manufacturers follow their example and build and sell sample FHA's type "B," "D," and "E" houses at certified cost and price of approximately \$3,500, including 10% cost-plus profit for the contractor.

The price is the maximum in each class because the houses are in a metropolitan district where costs of labor and material are relatively high—higher than in New York City suburbs—and because National Lumber Manufacturers Association insists on finished full basement and large-sized lot, 50x140—lot valued at \$500. Without basement and lot, FHA's estimate is \$2,000. House "A"—\$1,200 to \$1,500—is considered too primitive to be used as a feasible object lesson for aspiring people. In the country, the carpenter-contractor would absorb the profit margin in his wages.

Thus, allowing also for wage differentials, the houses would sell for about \$2,500, plus lot cost. "We will publicly show," say the lumbermen, that right now, without mass production, attractive, individual, modern frame houses are within reach of the average American family income of \$2,500.

CUSTOMER COMFORT!



Greater Profit **MORE SALES**

When your Air Conditioning Equipment is driven by Century Motors you have definite assurance of the continuous dependability necessary to customer comfort, increased business and profits.

For more than 32 years—long before Air Conditioning became known as an industry—Century Motors have demonstrated their thorough reliability in driving Refrigerators, Compressors, Pumps, Fans, Blowers, and similar equipment.

CENTURY ELECTRIC COMPANY
1806 Pine St. St. Louis, Mo.
Offices and Stock Points in Principal Cities

Century

MOTORS

Sizes up to 600 Horse Power

One Code Still Waves

Coat and suit industry celebrates first year of voluntary regulations, with "consumers' protection label." Union helps sales drive.

IN murals and statuary, labor is commonly represented as clasping the hand of capital while affectionate glances pass between them. The ideal persists, though too often the mutual handclasp is on the neck.

That cooperation is possible has been proved in the turbulent needle trades. On June 16, just one year after the expiration of the National Industrial Recovery Act, whose main provisions had previously been knocked out by the Supreme Court, the National Coat and Suit Industry Recovery Board held its first annual meeting in Washington. It celebrated as the "only functioning voluntary code organization in the United States." Employer associations and the unions performed the feat together.

Climax of the meeting was the announcement that management and labor had agreed to a program for jointly stimulating the industry's market. A council of business development will be created. Besides industry representatives, its labor members will be David Dubinsky, president of the International Ladies Garment Workers Union, and Isadore Nagler, general manager of the Joint Board of Cloak Makers Union, New York.

Smart Management

The move marks a revolution in the industry. The International is a mighty and a shrewdly managed institution. Of its 200,000 total members, some 45,000 are in the cloak and suit trade.

Under the old leadership of the hard-hitting Ben Schlesinger the usual rule of the International was combat rather than compromise. He had come up through the rough-and-tumble era when the clang of patrol wagons was a familiar sound and bumps from patrolmen's clubs a common decoration. Be-

fore his death, Schlesinger saw his union become the most powerful force in his industry. But he never quite got over his suspicion that every employer was a potential snake in the grass.

Dubinsky succeeded to the presidency of the union from his former position as secretary and treasurer. For the Lenin-like absolutism of Schlesinger, Dubinsky substituted a Stalin-like flexibility. At his elbow sat the union's counsel, the late Morris Hillquit, who was credited with much of the organization's higher strategy.

Good News for the Union

All this was before the NRA. The union was the unquestioned ruler of the roost. Employer organizations had been formed on the other front but these were mostly anti-labor in their purpose. Also the employer front was cut up (nationally) into about eight associations. The union blessed this division which made its domination all the easier.

Most powerful was the International's grip on the coat and suit trade. Labor requirements here are exacting. Men form 88% of members in this group. They are craftsmen, old hands at the business, and they are not under pressure from new workmen since few youngsters want to be tailors. Further, shops are concentrated in large towns, under the strictest supervision for style and appearance. Hence this industry has escaped competition from "runaway shops" which go outside the cities to draw labor from among farm and small-town girls.

But Dubinsky and Hillquit wanted to cut the high mortality rate of garment companies. During the pre-code powwows, they heard shop owners describe malpractices of trade which made sta-

bilization impossible. They helped strengthen practice provisions of the coat and suit code.

Barring the usual frictions, the industry liked the code. Employers were appalled at the possible return of cat-and-dog competition when all NRA codes were killed on May 27, 1935. In desperation they retained a skeleton code organization, finally deciding to change the name of the authority and continue as a voluntary group.

Expiration date of NIRA was June 16. By July 15 the National Coat and Suit Industry Recovery Board had replaced the Blue Eagle with the "consumers' protection label."

At the Washington gathering, Alexander Printz, chairman of this "little NRA," announced that 91% of the industry's 1,800 employers were affiliated, that its standards of trade practices and employment had been maintained nationally. Seventeen million of the labels have been used on coats and suits. Women's clubs and consumer organizations that claim a membership of 5,000,000 have aided in promoting the label as a symbol of good working conditions.

Expenses of the board for 11 months were around \$300,000. Some 130 accountants and investigators have been busy. They are empowered to investigate the books of companies. Accused violators are brought before a grievance board which can impose fines.

Watchful Eye

Clubwomen boost the use of labels, lacking any government backing, by calling on retailers. Workers are asked to demand them on all garments bought. Meanwhile the board has made a concerted drive against unethical practices of retailers. Members are prevented from giving valuable rebates to large buyers, are held down on discounts. There is a campaign against unwarranted return of goods by retailers, an ancient curse in the trade.

To these efforts the stores have been surprisingly sympathetic. A release of the board says: "Of 18,000 accounts with whom the members of this industry do business, there are scarcely 15 instances a month in which efforts of the recovery board to bring about a friendly settlement of controversies are rebuffed." A factor in the success of the plan is the heavy demand for suits occasioned by the mode of the moment.

The board has investigated 8,000 cases of which 6,000 had to do with trade practices. A labor bureau financed by the organization is helping equalize production costs.

Details of the labor-management sales drive are yet to be worked out. It will involve intensified selling through all labor groups of the consumers' protection label. Backed by the zealous club ladies, this can be made a real national sales factor.



NRB BATS FOR NRA—and, according to the coat and suit makers, a good code is worth sticking to. The sample label shows how each garment is numbered and given the seal of approval by the fair practice board. Seventeen million such labels have been used to date, each bearing the initials of the producing company (like "BBB" in label above). Women's clubs have helped promote its use.

Don't BUILD OR MODERNIZE

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*... until you've
investigated the
Robertson Steel
Floor System!*



Send Coupon for Free Booklet

BEFORE investing your money in any building or modernization project, it will pay you to find out how the Robertson Steel Floor System can give you a better job, and yet effect both original and ultimate economies for you.

The use of the Robertson System saves time in construction, for example. Buildings go up 20% to 30% faster . . . because Robertson Flooring eliminates temporary planking, floor forms, delays of concrete con-

struction. Other trades can work on the floor, can stack materials on it, immediately after it is laid.

This faster construction means money to you. You get quicker occupancy in a new building. More weeks of revenue or usage. Faster modernization . . . often without even interrupting regular operations.

The Robertson Floor combines greater strength with less weight, reduces dead weight loss. Consequently, it reduces structural steel

costs. And of supreme importance, the Robertson Floor System provides a comprehensive wire distributing system . . . for each hollow steel cell in the floor is a protected wire raceway. The resulting electrical availability of the floor affords adequate facilities for every present or future electrical need. And that means longer profitable building life . . . retarding of electrical obsolescence.

Regardless of the type of building you are interested in . . . don't fail to send the coupon below for facts and data about the Robertson Steel Floor System. Do it now!



ROBERTSON STEEL FLOOR SYSTEM

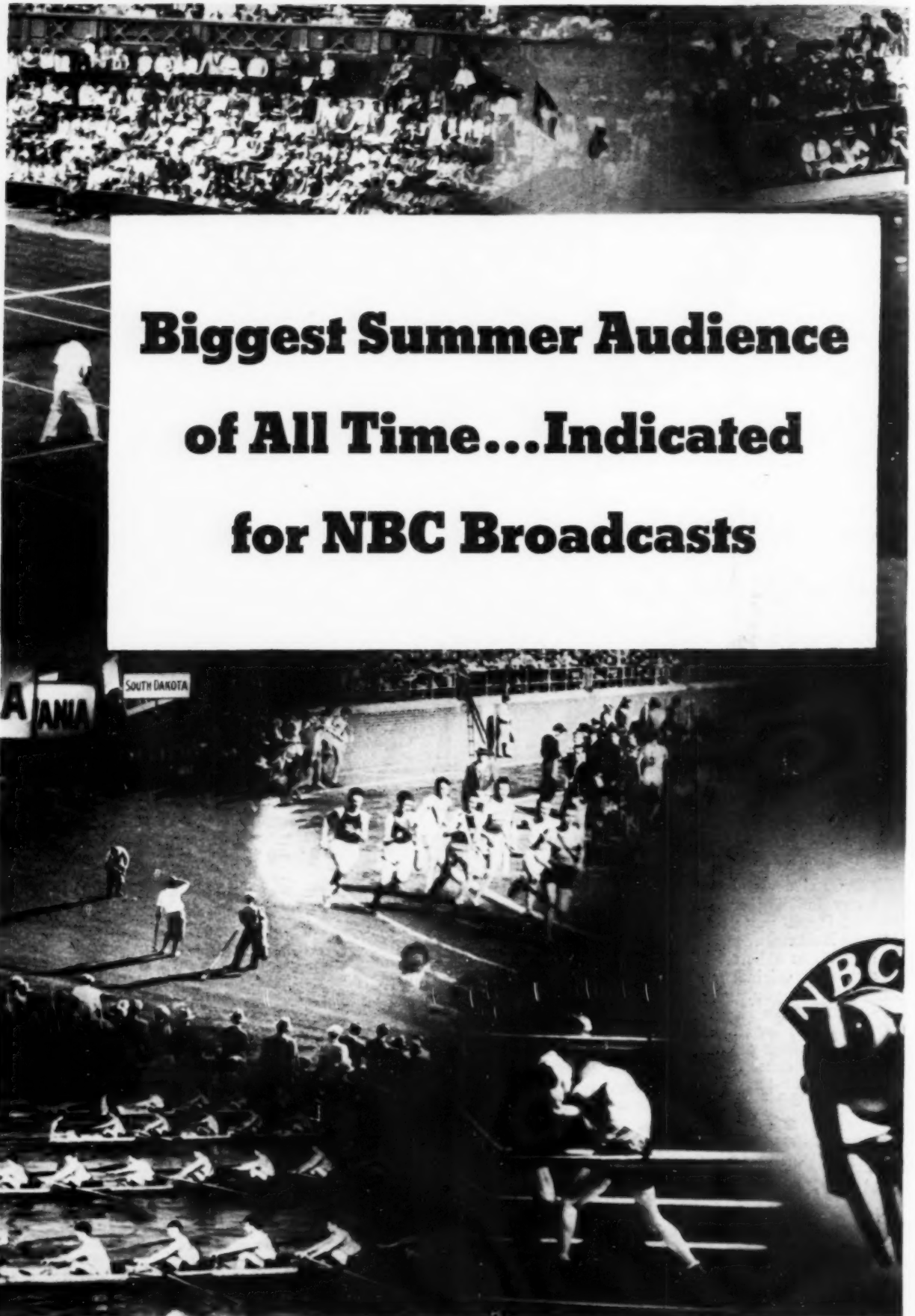
H. H. Robertson Company
2001 Grant Bldg., Pittsburgh, Pa.

Please send me, without obligation, your booklet on the Robertson Steel Floor System entitled "New Life for Buildings."

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Address.....

City.....State.....



**Biggest Summer Audience
of All Time...Indicated
for NBC Broadcasts**



THIS IS A SUMMER FOR SELLING

Radio entertainment has become a vital part of America's summer-time routine. Folks have more leisure for listening in summer—and more money to spend as they like.

This summer especially. Added to the nearly 23 million home radios, there are now 3 million automobile sets. And added to the regular program features, there are more big-audience broadcasts than ever before.

The National Political Conventions. The Olympic Games. The Texas Centennial Celebrations. The League Baseball Broadcasts. And many other events of national interest, to maintain and heighten the habit of radio listening, to intensify the results of radio selling.

SUMMER AUDIENCE NOW CHARTED

And now, for the first time, the potential summer audience has been charted for every day of the week, for every hour of the day. This enlightening NBC report has been prepared by Anderson, Nichols Associates. It includes audience analysis by hours of the day—and what sort of people can listen and when.

This potential guide to summer selling is titled "The Good New Summer-Time."* It will be mailed to any executive interested in methods for making summer selling an active reality. (Ownership and use of automobile radios being published in another booklet: "Radio Takes to the Road.")

*The charts include seasonal variation of income, seasonal variation of expenditures and percentage of people away on vacation in the summer in any one week.

Tune In the RCA Magic Key Program every Sunday, 2:00 to 3:00 P. M., E. D. T., on the NBC Blue Network.



NATIONAL BROADCASTING CO., INC.

A RADIO CORPORATION OF AMERICA SERVICE

NEW YORK • CHICAGO • WASHINGTON • SAN FRANCISCO

NBC IS THE MAGIC  KEY TO SUMMER SELLING

Who Shall Carry the Cars?

Railroads are slipping in rivalry with trucks and ships for business of transporting autos. But they're helped by state laws against caravans.

THE caravanning of automobiles from factories, principally in southern Michigan, to dealers in the Southwest and along the Pacific Coast has long been a sore point with railroads. Cars often are transported in pairs across the Continent, the first one being driven and towing the second one. When they reach dealers, they are sold to the public as caravanned cars with \$100 or more subtracted by the dealer from the regular delivered price.

Big Three Frown on Practice

This practice has been objectionable to two elements: the public sometimes becomes dissatisfied with what it gets, and railroads look with hungry eyes at the business which is slipping away from them. General Motors and Chrysler have frowned on caravanning, have forbidden it in connection with their products. Ford doesn't indulge in it, because it has its own assembly plants scattered around the country. This leaves independent factories as the chief caravanners.

Lately caravanning has been discouraged by restricting legislation passed by various Western states. California slapped a fee of \$15 on cars entering its borders by caravan for sale and required the operator to get a permit every time he entered the state, proceeds of the fees to go into the general fund. The law recently has been found unconstitutional by federal courts because it "is nothing less than a customs duty and bears no reasonable relation to its stated purpose."

BOTH SIDES OF THE ARGUMENT—The truck-railroad dispute finds Ford Motor Co. championing both sides, because both are vitally necessary to its business. Ford uses a lot of automotive equipment—and a lot of railroad cars. Below are shown some of the enclosed carriers which speed over the highways bearing new cars to dealers; at right are the great Rouge blast furnaces, with their elevated railroad "high line".

Acme



California is expected to pass a new bill probably drawn along the lines of the New Mexico law pronounced constitutional by the United States Supreme Court. This law levies a fee of \$7.50 on vehicles driven by their own power and \$5 on towed cars not licensed by the state or owned by a licensed automobile dealer.

Laws regulating cars and trucks in transit to dealers are in force also in Wyoming, Nevada, Arkansas, Oklahoma, Nebraska, and Texas. Licenses are required in most of those states.

It is intimated that railroads indirectly have had no small hand in state legislation, setting up by legislative acts fees which bother the caravanning trade and make it unprofitable to move cars by highway instead of rail. It is almost impossible to transport cars to the West Coast without going through some of the states specifying fees and licenses. Car makers are afraid if many states enact legislation making highway deliveries difficult or expensive, railroads might eventually restore higher rates.

East Has Its Troubles, Too

While this traffic war attracts attention on the Western front, a battle is being staged in the East. The Lake Erie tariff bureau (representing Detroit & Cleveland Navigation Co., Nicholson Line, Minnesota & Atlantic Transit) filed with the Motor Carrier Bureau of the Interstate Commerce Commission a water-and-truck tariff on automobiles, effective June 1. It calls for through rates from Lansing, Flint, and Pontiac

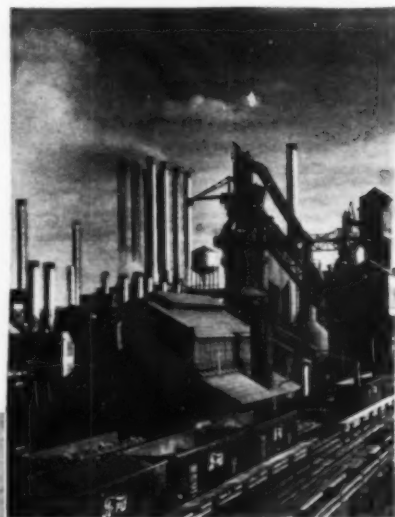
to Detroit by truck, (or the load may originate at Detroit), then by boat to Buffalo, thence by truck to New England, New York, Philadelphia, and other seaboard cities. Similar tariffs are in the making for shipment by water to Cleveland and then inland by truck to Pittsburgh, Akron, Wheeling, and other points.

Eastern railroads have been slow in arranging a similar tie-up with water lines, have let truck lines get the jump. More alert, Western roads have through rates for automobiles going by boat to Duluth, Green Bay and Milwaukee and then being delivered by rail to the Northwest. On their return trips, boats carry Nash cars from Kenosha and Studebakers from Michigan City, Ind., to Detroit, Cleveland and Buffalo.

Trucks Gain

Last year trucking of finished cars from factories gained at the expense of railroads. 48.8% of cars moved by highway compared with 44.5% in 1934. Railroads handled 44.3% in 1935, as against 49.8% the preceding year. Water deliveries increased from 5.7% in 1934 to 6.9% in 1935. The peak of rail shipments was 74.7% in 1927, when 21.7% went to dealers by highway. Peak movement by highway was 51.5% in 1932.

Detroit & Cleveland Navigation Co. expects to carry 125,000 new automobiles from Detroit to lake ports this



season. Great Lakes Line has equipped four ships with special devices for carrying cars.

Half and Half Milk

Ohio dairy sells "fresh evaporated" product to compete with canned milk.

GAIL BORDEN, many years ago, started the great business that bears his name, by distributing partially evaporated milk in bulk. The idea is cropping up again in several Middle Western states, where "fresh evaporated milk" is being delivered to domestic customers.

Hi-Grade Milk Co., of Columbus, stumbled into it by accident, during experiments with ice-cream mix. They concentrated fresh milk in stainless steel vacuum pans, to carry a minimum of 7.8% butter fat and 25.5% total solids. They retailed it at 8¢ a pt. in Columbus and elsewhere, calling it "double thick."

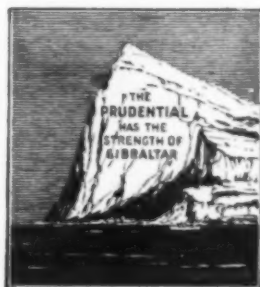
They believed it would appeal to many families who, during the depression, had changed from fresh cream to canned evaporated. It did. With regular pasteurized milk selling at 10¢ or more a qt., it found a ready market as "half and half" for cereals and puddings and as light cream for coffee. It can also be diluted with equal bulk of water and used as milk.

In Cleveland, the Dairymen's Milk Co. is selling the new semi-evaporated specialty. It also supplies the Fisher chain of grocery stores. The Fisher people carry it and have been apprehensive lest it cut into regular milk and cream sales. But it has not, though demand for this fresh evaporated has steadily increased despite a negative attitude towards its promotion. Hi-Grade also finds its sales of light cream not affected, yet demand for the new product has steadily grown.

Profits Depend on Vacuum Pans

Normal whole milk usually carries 3½% of butter fat. This fresh evaporated, therefore, is a little more than 50% concentrated. It is being sold at somewhat less than double the price. Profits apparently depend on the dairy's having vacuum pans available without extra investment and on the use of milk bought at the surplus price to the farmer. This is milk technically priced low as excess over the farmer's allotment at the creamery and to be used for manufacturing purposes—ice cream or butter, dried or evaporated milk. Where the farmer is paid, say, \$1.90 per 100 lb. on his base milk, he may receive \$1.10 on the surplus.

The launching of this additional milk product on the market raises many questions. If demand grows would there be enough low-price milk for manufacturing purposes available to take care of



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gives you
fair warning

It does not creep on you unawares. You know today just when you will reach the sixties. You should plan now for an unflinching income then.

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IS THE SAFE AND CERTAIN METHOD

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The Front Office Holds the Purse Strings

SELLING some of the people all the time is often the weak spot in an otherwise brilliant business paper campaign. The strategy should clearly include top executives in the executive's own business paper—Business Week.

As exclusively the executive's business paper as any technical publication addressed to the specialist, Business Week crystallizes the business news of national and world affairs in terms of the effect on future executive action. As a result it's the "right-hand publication" of America's business executives.

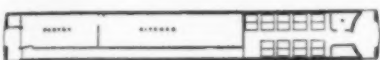
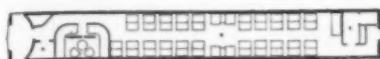
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BUSINESS WEEK

The Executive's Business Paper

330 WEST FORTY-SECOND STREET, NEW YORK



COLORFUL, COMFORTABLE—Radical changes in seating arrangements may be seen in the New York Central's *Mercury*—from top down, the cars shown here are: two saloon-smokers, kitchen, diner, Pullman, lounge, observation.

it? Could fresh evaporated milk be processed in the Middle West and shipped in sealed sanitary containers to congested Eastern areas and get around the general regulations governing the purchase of milk outside the prescribed areas? How would it affect the price control exercised by cooperative farmer groups in the various "milk sheds"? Milk health boards and control boards will have to wrestle with the problems.

Meanwhile letters are pouring in on the Hi-Grade Milk Co. from dairymen about the country, seeking instruction for preparing the "fresh evaporated" product. So many hundreds came that they finally gave up answering them. They had to choose between correspondence and running the dairy. The dairy ran.

Stylish Train

New York Central's *Mercury* is modern outside and in; convenient and colorful.

NEW YORK CENTRAL RAILROAD is taking the next step in tuning trains to modern taste. It is going beyond streamlining. A whole train has been turned over to Henry Dreyfuss, industrial designer, for styling and interior arrangement. And he has done things.

When the *Mercury* pulls out of Cleveland for Detroit on July 15, people will see a long gray train with a

broad aluminum stripe and a steam engine spouting smoke. The gleaming bright steel disk drive-wheels, with black rims, will catch the eye because they are floodlighted. The steps to the cab are decorative fins, up near the front. You can't see where the lightweight, turtle-back steel cars join together.

But the passengers will get the thrill. They enter the car through a semi-circular vestibule brightly lighted and decorated in bright colors. Baggage and wraps are checked at the door. Cork tiling in the coaches, heavy carpets over sponge rubber in the Pullmans, plus rubber or fabric pads and a diaphragm closure between cars, kill all noise. Interiors are in warm colors, rich tones of brown, rust and tan, gay greens, blues, and Chinese red.

All Comforts of Home

There are no long straight aisles. Coaches are made informal by small tables for card-playing or meals, end couches, and center seat groups. Smoking rooms have movable chairs and tables. The kitchen is in a separate car from the diner. The diner has three table arrangements and a lounge to wait in and have cocktails. The lounge car has a semi-circular center bar, with built-in couches and movable tables and easy chairs, also Venetian blinds.

Pullman cars have a semi-circular compartment, located in the center. Chairs and tables are movable. Observation seats face out.

Special lighting has been worked out for the *Mercury* by General Electric engineers at Nela Park. A broad band of indirect general illumination runs down the ceiling. Then there are individually controlled reading lights in both coaches and Pullmans, all air-conditioned.

Spot Radio Prospers

It gains far more than chains do. Station representatives plan cooperation.

WHILE business on the national chains, NBC, CBS, and Mutual, continues to roll merrily along at a level approximately 10% above last year, sales of non-network radio time to national advertisers are enjoying a far more spectacular rise—indeed, a real boom. The 64% advance in this division of the business during the first quarter of 1936 is putting a new zest in life for station owners and new ideas about cooperative advertising in the minds of station representatives who are responsible for booking almost all of the national business for spot broadcasts.

The station representative is a comparative newcomer whose existence dates roughly from the time four or five years ago when national advertisers

IS YOUR PRODUCT ABSENT MINDED?



Many products fall down because they can't remember.

With Veeder-Root Counting devices you can make your product calculate and compute, record volumes, lengths, areas of materials, make permanent records of any operation—*increase its usefulness and sales.*

Manufacturers of looms, fast automobiles, printing presses, fence machines and many other products have already done it with Veeder-Root Counters.

If you want to know how a counting device can help your product sell faster, Veeder-Root engineers will be glad to submit recommendations. Write today—your problem will be held in strict confidence.

**Would Your Product Sell
Faster if It Could Count?**

Veeder-Root Counting Devices count operations, pieces, revolutions, motions . . . measure materials, volumes, lengths . . . calculate areas and prices . . . make permanent records.

VEEDER-ROOT
INCORPORATED

HARTFORD, CONN. U. S. A.

first began to consider seriously the possibilities in spot promotion activity. Scott Howe Bowen, who retired from radio about two years ago and is just now staging a comeback, pioneered the way; today principal organizations in the representation field include Edward Petry & Co., Free & Sleining, Paul Raymer & Co., John Blair & Co., Hearst Radio, Inc., and the E. Katz and Edward M. Phillips agencies.

Since each representative has an exclusive list of stations from which he collects his 15% commission on all national accounts which the station handles and since less than a quarter of the nation's 600 radio stations are of sufficient importance to command much spot business, there is a considerable sniping at each other's station lists. All of which doesn't make for the *esprit de corps* necessary to successful joint action in selling advertisers and agencies on the advantages of spot programs. (Chiefly, their flexibility, permitting concentration of sales effort where concentration is needed and judicious selection of broadcast periods to sidestep strongly competitive radio shows.)

Efforts to unite the representatives in a cooperative drive have so far come to naught, chiefly because the Petry organization, biggest in the field, has turned down all overtures from other agencies. Leaders in the movement hope to stimulate interest in it at the annual meeting of the National Association of Broadcasters in Chicago, July 6-8, perhaps even persuade the N.A.B. to appropriate funds for the drive.

Thwarted by Chains

But two conditions conspire to defeat their ambitions. One is the pressure of other problems—the ASCAP-Warner copyright fight (*BW*—Apr 4 '36, p40), the reallocation of wave lengths (*BW*—Dec 21 '35, p11), and the advent of television (*BW*—May 16 '36, p24)—which will be fighting for consideration. The other is the fact that the chains wield a mighty influence in N.A.B. affairs. The vast majority of the big stations that might be expected to support the demand for an appropriation to support spot broadcasts are also outlets for the chain releases and their first loyalty naturally lies with the webs.

So it looks as though the representatives will have to go it alone if they hope to put over a campaign to sell spot programs, though they can logically expect some help from the producers of the transcription programs which are widely used for spot purposes. These producers—notably World Broadcasting, RCA-Victor, Recordings, Inc., Freeman & Lang, and MacGregor and Sollie—have enjoyed a 50% pickup in their business this year, and although a number of advertisers prefer to use local talent, selected with the help of station representatives, the platter pro-



PLENTY OF TIME—The Federal Communications Commission, currently studying shortwave problems, has been advised by Pres. William S. Paley (left) of CBS to use due care in apportioning higher bands to commercial users. James M. Skinner (right) of Philco also advised the commission, which is headed by Anning S. Prall (center).

ducers stand to gain as spot business prospers.

One circumstance which is tending to drive the representatives into closer affiliation is the attempt by big national advertisers to squeeze through the gap in station rate structures and place their

spot programs through local distributors at the stations' lower local rates. This strategy, which has been successfully employed of late by both Ford and Kelvinator in placing spot programs on some 300 local stations, completely short-circuits the station representative.

Canada to Nationalize Radio

Government will expand its broadcasting service and ultimately take over all commercial stations.

OTTAWA—(*Business Week Bureau*)—Canada is expecting soon to have its radio broadcasting system come under complete government control, like the system in England.

Instead of the Radio Broadcasting Commission which has served the Dominion for four years, Canada will have a completely nationalized service, run by a government-appointed general manager who will be advised by an honorary board of nine governors.

The bill proposing this change, which is bound to be passed by parliament, contemplates, as did the original legislation in 1932, gradual extension of the system, as finances permit, until it becomes a state monopoly.

Hopes of commercial broadcasting interests of having broadcasting returned to private hands are definitely and permanently dashed. The present legislation entirely ignores their latest proposal for a sort of partnership between the government and commercial broadcasters and advertising interests in which revenue from receivers' licenses would help finance coast-to-coast commercial network broadcasting and which would give them a large voice in the whole operation of the system. They will continue to operate their individual commercial stations only until such time as the government feels justified financially in taking them over.

The management of the new corporation (the general manager and nine

governors) will have wide powers, similar to those of the British Broadcasting Corp. It will be authorized to acquire stations, conduct broadcasting, exchange programs with other countries, collect and broadcast news, publish periodicals, acquire copyright, and establish a pension fund for its staff.

The corporation will have full control, even over political broadcasting. Political dramatizations are prohibited by the legislation, and the corporation is to divide broadcasting time in election campaigns equitably among parties. There is to be no campaign broadcasting during the two days prior to polling day.

License Fees Yield Funds

The new corporation will operate on revenue from receivers' license fees (to be continued at \$2 a set annually) and earnings from broadcasting commercially-sponsored programs, but it will have freer access to this revenue than the present commission has had.

Granting of licenses to commercial stations and allotment of channels, now handled by the commission, will be under the minister of transport, but he will consult the corporation in these matters. An effort will be made to free channels for longer-range broadcasting by weeding out low-power stations.

The bill comes into force on proclamation, thus enabling the present commission to carry on till the corporation is set up.

Long on Short Wave

Radio manufacturers find it boosts their sales. New program service approved.

A. ATWATER KENT may take a walk right out of the industry which he once dominated and Commander E. F. McDonald, Jr., of Zenith Radio Corp., may be distressed by such trade abuses as commercial bribery of dealers' salesmen, but these intra-industry problems were reserved for only incidental comment when the Radio Manufacturers Association held its twelfth annual convention in Chicago last week, focused enthusiastic attention on mounting sales.

This week's inauguration by the Department of Commerce of a new short-wave program service, a proof of the increasing popularity of short-wave reception, supplied a principal topic of interest. The new service will consist of furnishing all the foreign offices of the Bureau of Foreign and Domestic Commerce with a weekly bulletin of short-wave broadcast programs originating in the United States. These will be distributed to newspapers, trade papers, and other agencies for publication so that foreign short-wave enthusiasts may know what's going to come over from the United States and when.

Boost to Sales Abroad

Demand for this service has existed for a long time. It will be the logical counterpart of the service inaugurated here by the Shortwave Institute, under Pres. Oswald Schuette, last year to keep Americans posted on the schedule of foreign short-wave broadcasts. Distribution abroad of these short-wave time-tables is expected to boost not only foreign interest in American programs but also sales of American radio sets abroad.

Growing public interest in short-wave reception is credited with being a powerful sales stimulant and a good antidote for many of the trade practice problems which have bedeviled the industry and incidentally prompted Mr. Kent's withdrawal from the field.

Sets not equipped for short wave are going out of date rapidly. Already 100% of the more expensive and console models provide at least two, generally more, bands for short-wave reception. Over 65% of all table models have at least one band and some of the more enthusiastic manufacturers predict that in another year all sets will be short-wave-equipped.

Improvement in tuning and tonal qualities is generally expected to be a key selling point for the 1937 models. Many sets now are equipped with automatic tuning. This involves either a dial arrangement, patterned after the dial telephone, for mechanically tuning in different stations, or a special electrical circuit which, after a given station

is brought in, will automatically complete the tuning so that reception is as perfect as possible. Several manufacturers stress the material improvements made in tonal quality through elimination of wall-reflected noises, better tone chambers, and introduction of the acoustic labyrinth.

Detroit Bargain

Tax sale designed to clean up delinquencies, provide cash for relief and improvements.

IN 1935 Detroit tempted delinquent taxpayers with a seven-year plan of paying up back taxes, with the penalties greatly reduced. The response was grand, millions rolling into the coffers.

Again the city is appealing to the bargaining instinct of its taxpayers. It is holding a tax title sale—the first since 1930—on property long delinquent on which the city itself has recently bought up the titles. Only persons having an equity in property are permitted to buy the titles; professional buyers or tax sharks are barred.

Delinquent 1935 taxes may be paid off at 7% penalty, taxes of prior years at 15% instead of up to 50% as provided by law. All back taxes, including special assessments, must be paid in cash; to take advantage of the plan, the

buyers must clean up delinquent taxes in full.

Originated by City Treasurer Albert E. Cobo, the program calls for a 90-day campaign with newspaper and billboard advertising. The city has accumulated titles on about 150,000 parcels of property, hopes to clear up taxes on 60,000 parcels and add revenue of \$6,000,000.

Money from the sale will be used for a work-relief program to provide work for employables on the welfare rolls whom the federal government has not been able to absorb in WPA. About \$4,700,000 will be spent to employ 4,600 men for six months to repair 425 miles of paved streets, around \$2,760,000 going for wages at \$100 a month and the remainder for materials. If a further \$1,500,000 becomes available, the only remaining open sewer in Detroit will be enclosed.

No Work, No Relief

All persons on relief who are able but unwilling to work on these projects will be dropped from the welfare list.

Factors contributing to the success of the tax collection plan are (1) Detroit's increased payrolls, (2) expanded home-building and a housing shortage, thus sharply upping the value of vacant lots (of which the city has more than its share), (3) the veterans' bonus, (4) the chance to get a considerable sum knocked off the penalty for delinquency.

KOPPERS AND THE Disinfectant INDUSTRY



Koppers is one of the primary sources of supplies for materials which go into many branches of this industry . . . disinfectants for general farm use . . . emulsion-type disinfectants . . . and water soluble disinfectants such as those officially approved by the Bureau of Animal Industry, and Liquor Cresolis Compositus used in the manufacture of disinfectants and germicides for surgical and general hospital use.

KOPPERS PRODUCTS CO.
PITTSBURGH, PENNSYLVANIA

1. Tarmac for Roads
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6. Light Oils
7. Tar Acids
8. Coal Tar Pitches

Big Crops Run Short

Wheat and cotton surpluses were confidently expected awhile ago, but now deficiencies are probable. Recovery and weather change the outlook.

THERE must come a time when the rising tide of recovery will transform into deficiencies some supplies which not long ago were surpluses. The vague beginnings of such a situation were visible in major agricultural crops when nature once more took a hand; now it seems almost certain that 1936 wheat yields will be hardly sufficient for domestic needs, and the prospective cotton crop is below indicated world requirements.

Drought in much of the Minnesota-Dakota-Montana spring wheat area has reached such proportions that some fields have been ruined. Much of the crop was backward because sub-soil moisture was inadequate and cold weather impeded ground preparation and planting. This dubious grain then met unseasonably high temperatures and June precipitation which, in spots, has been even scantier than that of 1934.

Plus Grasshoppers

Such a crop is in no condition to face the sweep of hot winds which sear the northwestern Great Plains states in dry summers. And, as though these threats weren't enough, grasshoppers are adding their depredations.

The Department of Agriculture sig-

naled the severity of the drought late last week when it broke a precedent and issued an interim crop report. The Crop Reporting Board apparently had no intention of adding to the scare, but it did characterize the situation as critical. Meanwhile, level-headed private observers declare that the speed of crop deterioration is almost unbelievable.

In hardest hit areas wheat is heading prematurely on stalks which may be too short to handle; heads are small and even the best conditions over the balance of the growing season could not fill them out. As a result the next government report probably will show high crop abandonment.

This spring wheat situation is far from the potentialities of six weeks ago. Plantings were much larger than last year and a crop of 250,000,000 bu. was in prospect. By June 1 there had been enough deterioration for the government estimate to show barely 200,000,000 bu.; the next report would not occasion much surprise if it pared the figure 40,000,000 bu. Add that to the June 1 estimate of 482,000,000 bu. for winter wheat and the total crop would fall below 650,000,000 bu.—the Department of Agriculture was predicting only a month ago that the home market would be able to absorb nearly 700,000,000 bu. this year, a gain of at least 50,000,000 over recent averages.

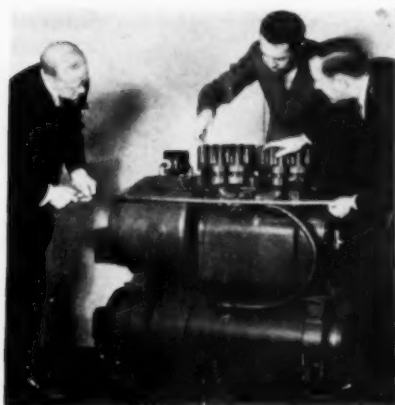
Under these circumstances the only thing that can prevent the farmer getting a good price for his crop (where he has a crop) would be the Canadian situation. The Dominion has a big carry-over, and crop prospects so far are excellent. Any major price rise in the United States price would encourage

shipments were it not for the fact that the European crop outlook isn't exceptional and exports from the Argentine and Australia won't be along until late in December; thus Liverpool prices have been rising, aiding Winnipeg quotations, and Canada may export to Europe instead of shipping wheat to the United States.

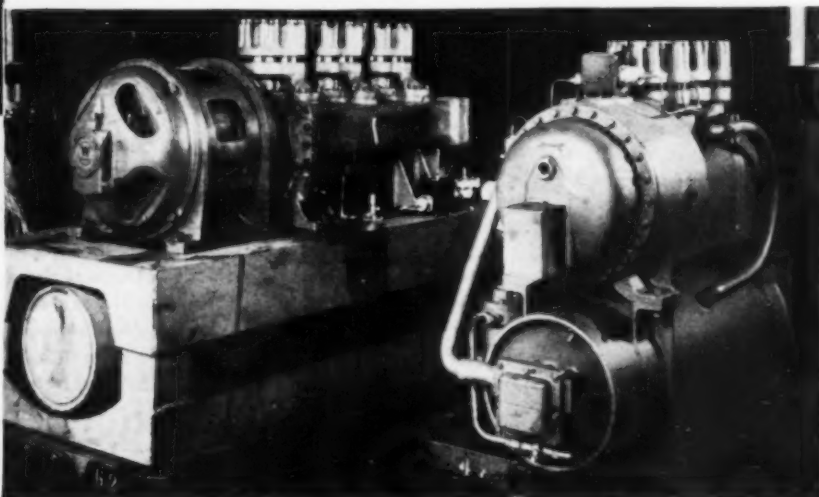
In cotton, however, there is a truer picture of the extent to which consumption is cleaning up surpluses. Last year's crop was 10,638,000 bales. Domestic use and exports in the first 10 months (ending May 31) of the crop year totaled 10,699,124 bales against 8,759,935 in the corresponding period a year earlier. Present indications are that domestic mills will use an additional 900,000 bales or so in the remaining two months of the crop year, that foreign spinners will consume upwards of 1,000,000. That would bring the total consumption of American cotton for the 1935-36 crop year to almost exactly 12,600,000 bales.

Market Is Active

The trade is making two broad deductions from these figures—cotton use is in a major upswing and the carry-over of American lint at the beginning of the new crop year (Aug. 1) may be materially under 5,000,000 bales. There is talk, as a matter of fact, of present consumption forcing the Commodity Credit Corp. to reverse its policy and liquidate more of its loan cotton if mills are not to face a shut-down before Sept. 1. There may be some exaggeration, but trade buying has contributed largely to a much more active market recently. Moreover, the rise in consumption is interesting in the light of prospects for the present crop. The drought in the Southeast, despite good rains this month, has cut deeply into early estimates of 14,000,000 bales—private sources now expect no more than 12,500,000 bales and many put their guesses far under that figure.



CONDENSER CONDENSED—Westinghouse has borrowed a good idea from domestic refrigeration and hermetically sealed its air-conditioning condensing unit with the motor and compressor in the same cast housing, running in oil. For sizes up to 50 tons, this is something new. Four cylinders give as much capacity as six used to, with no more leaks at the shaft seal. Picture at right shows the old style (left) and the new. Vice president A. E. Allen (left, above), who launched this one, holds the tape with S. H. Myers, manager of air conditioning sales, to show how the new design has reduced size. The Westinghouse East Springfield (Mass.) plant will be enlarged to meet the large-volume sales expected.



New Products

New things, new designs, new packages, new manufacturing and marketing methods.

In asking further information on new products or submitting data on newer ones, address *Business Week's* Chicago offices—520 N. Michigan Ave.

A NEW flux for use with aluminum solder is announced by the Alumaweld Company of America. Flux and solder are applied with an ordinary soldering iron or blow torch. It is said that their use permits sheet steel, brass, or copper to be soldered to aluminum, that the bond will remain indefinitely, and that the finished joint can be machined and polished and will take chromium or any other plating.

TWISTEE is a new type of individual-portion ice cream container, offered by the Paul Hawkins Co. It consists of a paper tube that is wound spirally of waxed paper, and the seams are sealed with a lightweight paper of contrasting color. The bottom of the tube is actually



about one inch above the lower edge, and the recess contains a paper napkin. The manufacturers of Twistees supply the tubes, napkins, and corers, ready to be filled; but licensed users must agree to use two flavors, preferably in summer time a sherbet with an ice cream core, in cold weather ice cream with a fudge or candy core.

THE Detroit Power Screwdriver Co. offers a new magazine-fed power screw-driving machine. It is advertised as being particularly adaptable to short-length screws with large-diameter heads. It has a universal, barrel-type hopper, permits easy changing from one size of screw to another, has a friction clutch that is adjustable to any desired tension, has a device that will prevent jamming.

THE Black and Decker Mfg. Co. has announced an entirely self-contained, portable valve-shop for automotive garages and service departments. In it is assembled all the necessary equipment, including valve refacer, high speed seat grinding tool, dressing stand for Vitro Centric stones, adjustable lamp which

swings in any position. It provides compartments for storing tools, equipment, and accessories, is finished in red enamel with chromium trim, has roller bearing, rubber-tired casters of large diameter for easy moving around the shop, permits a complete reconditioning job to be executed alongside the car.

REMINGTON RAND, INC., has added to the 5,000 special keyboards available on Remington typewriters the astrological keyboard for use by astrologers, students, publishers. It includes all the commonly used astrological symbols, the ordinary alphabet, numerals, and most of the symbols used in plain correspondence. Anyone accustomed to the standard keyboard can use it.

THE Rumbrella, offered by Follmer, Clogg & Co., is expected to take the grumble from riders in the rumble seat of cars when it's raining or snowing. It appears to be nothing more than a large umbrella, but actually is expressly designed for use in a car. The curvature of its frame is planned to reduce wind damage, it has reinforced double ribs where most needed, has rubber suction cups to attach to the glass window in rear of car top, is covered with durable heavy twill cotton.

THE Saveserv Beer Cooler Co. offers an inexpensive beer cooler for use in restaurants, cafeterias, refreshment stands, on boats, or at picnics. It has a circular base upon which the barrel is placed. On the head of the barrel fits an ice container with a capacity of 25 lb. of chopped ice. Barrel and ice can are then covered with a completely sealed insulating cylinder made of layers of insulating paper with air space between. Suitable flanged openings are provided for pipe connections to the dispensing tap. It is said that beer is kept in this cooler at proper serving temperature for up to 40 hours.

THE Valvo collapsible tube, now manufactured by the National Collapsible Tube Co., requires no screw cap or other closure to protect its contents. The neck of the tube is sealed by a slotted, flexible diaphragm. When pressure is exerted on the tube the slot opens and permits tooth paste, shaving cream, cold cream, or what have you to flow under perfect control. As soon as the pressure is relaxed, the valve slot closes and keeps the contents tightly sealed. It is claimed that substances packed in Valvo tubes will retain their original condition as long as they would in any other type of package.

NEW STEEL OFFICE CHAIRS



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What Eastman Did and Didn't

Transportation coordinator is now out of that job. He did a lot to stimulate railroad cooperation, and thinks he paved the way for future benefits.

WASHINGTON (*Business Week Bureau*)—No longer in the prompter's box, ex-Transportation Coordinator Eastman reverts to his role as an active member of the Interstate Commerce Commission. His record of accomplishment is abbreviated although his pungent reports on practically every aspect of transportation fill volumes. His proposals for wholesale revision of railroad policies and operating methods were enthusiastically rejected by the railroads either as theoretical or involving such an abrupt transition that they would jeopardize their straitened finances.

Taken off a thankless job because there was nobody in the White House or in the Interstate Commerce Commission, no railroad men or shippers, to press legislation to extend his term, Eastman nevertheless has been influential in shaping railroad affairs in the last three years.

Eastman forebore to push for government ownership of railroads at a time when that might have been brought to pass. The explanation may be that the radical young member of the commission had grown too old by the time the opportunity arrived. But the railroads have never forgotten his "young" ideas and what he has been able to do has been over their protest in almost every instance.

Because of restrictions on displacement of employees in the law creating the office of coordinator, Eastman turned away almost entirely from attempts to eliminate duplicate rail facilities by coordinated operation and devoted himself to research in operation and management. His own appraisal of this program is that it consists largely of benefits to come.

Rail Reduction Sticks

Independent of this extensive excursion into railroad problems, their causes and possible remedies, Mr. Eastman departed from a strict interpretation of his duties as coordinator to secure "voluntary" reductions in the salaries of railroad executives to a maximum of \$60,000 a year. This wasn't very important except for its effect on public opinion. With President Roosevelt's aid, Eastman also was able to obtain a reduction in the price of steel rails from \$40 to \$36.375 per ton in 1933 that has since been maintained.

Largely to Eastman's influence, in persuading the railroads to adopt a cooperative approach in the consideration of problems to improve their situation, must be attributed the reju-



BEST KNOWN—Relieved of his Interstate Commerce Commission duties three years ago to become Coordinator of Transportation, Joseph B. Eastman became so widely known in his new job that many persons forgot he was an ICC member. He has served on the Commission since 1919, ranks third in seniority among the members.

venation of the American Railway Association in the Association of American Railroads. Eastman also recommended that the railroad seriously consider a reduction in passenger fares and it was his vote to break a tie in the commission that established the new maximum rates of 2¢ in coaches and 3¢ in Pullmans that went into effect June 1.

Although Eastman expects definite moves towards railroad consolidation in the comparatively near future he doesn't see any advantage in extensive consolidation of railroad properties. Individual managements, in his opinion, can give greater personal attention to local needs and handle major policies of national importance through cooperative effort.

Eastman believes that many of the proposals that he has advanced in the past will materialize in concrete form in the future. He anticipates gradual development along the following lines:

Replacement by many roads of their

present motive power with modern steam, electric, and diesel engines employing mechanical or hydraulic as well as electrical transmission of power.

Further use of trucks in branch line and terminal operations and, eventually, transfer of terminals to city outskirts.

Widespread use of interchangeable containers of uniform types transferable from truck to car and car to car.

Development of lighter cars, both passenger and freight, with improvements in track, car trucks, draft gears, and brakes as speed of service increases.

In highway vehicles greater use of lightweight metals in body construction and diesel motors.

Advice on Keeping Pace

To keep pace with mechanical improvements Eastman hopes the railroads eventually will adopt new departures in operating, including:

Concentration of merchandise traffic in the hands of not more than four railroad-controlled companies similar to the express companies.

Pooling of freight cars, as Pullman and many refrigerator cars are now handled.

Coordination of terminals, including grain elevators.

Central clearing house for handling inter-company accounts, such as division of joint rates.

Central department for scientific, engineering, and economic research.

Greater cooperation in purchase of equipment, repair of rolling stock, and adoption of higher standards in shop equipment and methods.

Pooling of thin and parallel branch line operations.

Central organization for studying the rate structure as a whole, with closer attention to costs rather than "value of service" as a basis for effective competition.

The future of the railroads depends, obviously, upon attracting a larger volume of traffic. Coordinator Eastman retires from that office with the statement that he doesn't see how this can be done without super-efficiency in the operation and management of individual roads and cooperative action with respect to major policies.

Capital for Trucks

Motor transportation attracts new attention as field for investment.

TRUCKING has caught hold in finance. Lehman Brothers sponsored Keshin in the motor transport field; then Adley Express Co. of Hartford decided to expand through mergers—on its own capital. And now Phoenix Securities Corp., investment trust, announces that

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Position

it has purchased an important interest in Consolidated Motor Lines, also of Hartford. Phoenix hopes to see its investment go places.

Consolidated is one of the large Eastern truckers. Backed by Phoenix, it will undertake a broad expansion program—buying new trucks, altering old and opening new terminals; possibly acquiring other companies. In the end, a highway transport service, embracing the entire country, is envisioned—either through owned lines or through interconnections.

Consolidated started operations in 1907 and terminals are maintained in leading New England cities. Thus it rivals Adley and Seaboard Freight Lines (*BW*—Jun 20 36, p 20).

Stimulus to truck expansion comes from the Motor Carrier Act, which makes it necessary for companies to obtain certificates of necessity to operate in interstate commerce. This eliminates

cut-throat competition and fosters integrated organization.

Greyhound Corp. demonstrated what could be done along nationwide lines in the passenger bus field. Its growth was implemented by Atlas Corp., investment trust, which, through ownership of a large block of stock, was actively concerned in the company's affairs.

John Hertz, of Lehman Brothers, long associated with automobile transportation, was the moving spirit in interesting the Lehman firm in Keeshin, which was formed shortly before the trucking law became effective. Adley's expansion was announced only recently. Its development as well as that of Consolidated will have to be approved—step by step—by the ICC. Consolidated has retained the firm of Coverdale & Colpitts, transportation engineers, to assist in mapping the company's expansion program.

Banks as Trustees

SEC's condemnatory report brings quick replies. Congress may pass law.

How much work and responsibility should be shouldered by the trustee for a corporate bond issue? The question was raised by the Securities and Exchange Commission in a report bitterly assailing trustees' laxity and, as a result, has once more become one of the liveliest topics in banking circles.

The sting in the SEC's words is assuaged somewhat by the fact that banks admit evils in the present system of corporate trusteeship, admit that the terms of bond indentures have been so modified that the trustee is delegated few duties which are not of a routine nature. But when the SEC raised the old specter of commercial bank and trust company divorce, bankers sprang to the defense of present mechanisms.

Expense a Big Item

Quite aside from the SEC's objections, bankers assert that there are many reasons for allowing commercial banks to exercise trust functions. Not the least of these are the expense and disturbance that separation would entail. Many trust companies, if divorced, would have to raise capital; they would have higher overhead because they would no longer have the use of many convenient facilities of the commercial bank; not a few would not have enough business to enable them to keep themselves alive.

The SEC's criticisms take the form

Excess Reserves Ebb and Flow

Amount varies with government financing. Bonus payment causes temporary drop. No official action on matter is expected till election.

To most people excess reserves are a nebulous banking matter—what is behind such sharp fluctuations as occurred on June 15 and the way payment of the bonus to veterans may affect them is hardly a topic for enthralling smoking car or fireside conversation. To the banking authorities, however, these excess reserves constitute the potential base for vast credit inflation; if the subject had lent itself to popular discussion it might have found its way into the political arena in the next few months.

Where Are Borrowers?

Even if you ask an official of the Federal Reserve for an explanation of excess reserves he is likely to say, "That's a pretty tough order." Yet a few facts stand out and one of them is that it makes little practical difference at the moment whether the excess reserve total stands at two billion dollars or whether it rises again to three billion. True, these excess reserves represent credit which Federal Reserve member banks can pass out to borrowers—but where are the borrowers?

Thus, when a drop of \$910,000,000 in excess reserves to a total of \$2,040,000,000 (the lowest since April, 1935) was reported a week ago, there were no repercussions in the financial district. The reserve member banks had drawn down nearly a billion dollars of their idle balances to buy the government bonds offered on June 15. The government needed in the neighborhood of a billion dollars to cash bonus bonds.

As these bonds are cashed, the money will flow into trade channels and, thence, once more back to the banks as deposits; excess reserves then again will mount. Much the same thing happened three months ago. The government borrowed about \$935,000,000 and excess reserves dropped a little over \$800,000,000. Then, as the government again disbursed the money, it found its way back to the banks and reserves rose from \$2,388,000,000 on Mar. 18 to \$2,950,000,000 on June 10.

Delving back into history, excess reserves were practically nonexistent prior to 1932. By the first of 1934 they totaled about \$600,000,000; since that time about \$600,000,000 of Federal Reserve credit has found its way into commercial channels, so those figures cancel each other. And there is more than coincidence to the fact that the United States has received gold imports of \$3,000,000,000 since the first of 1934 and that excess reserves in recent months have averaged about that same amount. The mechanical details of paying for these gold imports have created present excess reserves.

These reserves, carrying as they do the inflationary possibility, become a real problem to the Federal Reserve authorities with their broadened powers in credit control. There has been persistent talk of higher reserve requirements to reduce the total. But such a policy might disturb business and the securities markets; hence the disinclination to do anything until after the votes are counted.



Business Week
2,200 FITTED FOR SUNSHINE—From Europe, New York borrowed an idea—the sunshine cab is the result. A fleet of 2,200, just put into service, features the sliding roof which opens to admit sunshine (and to permit rubbernecking) on fair days. The cabs were built by De Soto, for Sunshine Radio System, Inc.

of a report to Congress with the promise of legislation to follow (it probably will come up next year) which will set up federal control over the whole subject of reorganizations in the corporate and realty fields. In brief, the faults the commission finds with corporate trustees are: They exercise no such trust as in a personal trusteeship; they are lax in even those duties they assume; they are protected by tricky clauses in indentures from responsibilities which should rest with the trustee; they often have conflicting interests in reorganizations—as a commercial creditor or stockholder of the bankrupt, as a member of a protective committee which does not represent minority holders of bonds for which they are trustees, ties between the trustee and committees through joint counsel, ties with the underwriting house, officers of the issuing company often are directors of the trustee-bank. Among the SEC's comments: "There can be no permanency of integrity and confidence in this field unless those in control of other people's investments are held to high fiduciary standards of conduct."

Recommendations are three: (1) Either commercial banks and trust companies must be divorced or the commercial bank acting as trustee must have no other link with the issuer; (2) there must be no link between trustee and underwriter, and (3) the trustee must represent no securities or interest which conflict with the bonds for which the trustee is appointed. Moreover, the SEC wants legislation to compel issuers to adopt indentures giving the trustee broad and important duties without "exculpatory clauses" relieving the trustee of responsibility.

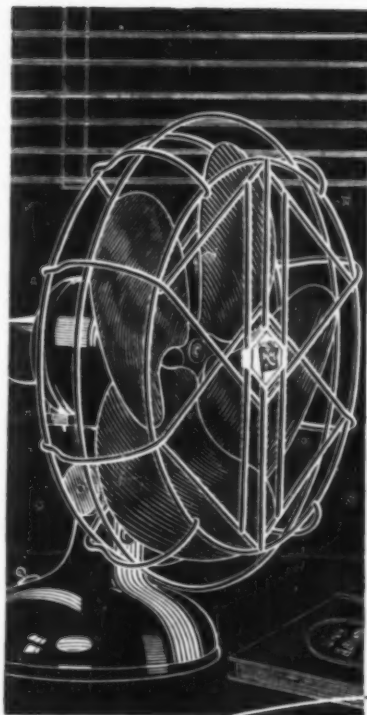
New Deal for Ships

Outright subsidy will be paid instead of mail fees.

OCEAN mail contracts are abolished and a direct subsidy created in their place in the new Copeland-Guffey-Gibson-Bland bill which Congress has passed and which President Roosevelt says is a "step in the right direction" for a sound merchant marine program.

No great shipping line in the world is wholly self-supporting. In one way or another, governments have found ways to subsidize services in order to maintain regular connections with important markets, build up prestige, and maintain a naval auxiliary. This country has handled the subsidy question by agreeing to pay regularly established lines a fixed rate for carrying mails, and by providing large loans for ship construction. Opponents have denounced the plan since the turn of the century, advising an out-and-out subsidy.

The new legislation provides radical changes. All existing mail contracts



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- how to become a leader

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will be cancelled by June 30, 1937. In their place, ship operators will be able to secure a subsidy (1) to operate ships in services which compete with foreign lines where operation costs are lower, and (2) to build ships in this country with the benefit of a subsidy which will cover the higher building costs. Construction loans are abolished. Operators in the future can get a "cost differential" subsidy amounting to as much as one-third of the cost of building the ship, but they themselves must be ready to pay 25% of the cost in cash, and must obligate themselves to pay the balance to the shipbuilders in 20 equal installments, interest on which will be 3½%. Taxpayers' interests are protected, though much less drastically than in the

original bill. Shipbuilders' profits on a vessel constructed with subsidy aid are limited to 10%, and net operating profit above 10% must be divided evenly between the government and the operator. Also, no shipping official connected with a subsidized line will be allowed a salary of more than \$25,000.

All the government's commercial maritime interests will be centralized in a newly-created Maritime Commission of five members. This Commission will take over the functions and property of the Shipping Board Bureau and of the Merchant Fleet Corp. It will determine all shipping policy, handle the chartering of government ships, and pass on employment and wage conditions.

Doorstep Sellers Are Thriving

Home service merchants hold convention. They operate more than 5,000 routes and sell long-profit staples, with the aid of premiums.

PAVING their road to profits with premiums, grocery merchandisers who bring their stores to the doorsteps of consumers are broadening their activities, increasing their efficiency, taking an expanding slice of the available business out of the territory in which they operate.

Those facts were evident last week at the 21st annual convention of the National Retail Tea and Coffee Merchants Association at the Edgewater Beach Hotel, Chicago.

A roll call of the 150 home service merchants present would have piled up a score of upwards of 5,000 sales routes in operation, of which 1,500 are operated by the Jewel Tea Co., world's largest exponent of this type of retail merchandising.

Few of the association's members have less than five routes in operation because that has been found the minimum for economical and profitable operation, but such an outfit does not become a real money-maker until 10 or more good routes are worked. Then the volume of sales justifies the investment necessary to promote private brands through special packages and labels, while at the same time purchases of the packaged products of others can be made at most advantageous prices.

The goods sold are largely the old reliable triple alliance—coffee, tea and spices—all known as long-profit items, all fast-consumed items in the average household—all able to build a following once a trial order has gotten past the customer's doorstep. Then of course there is a long list of other non-perishable products that are admirably adapted to being carted around, such as soaps, soap powders, cosmetics, cleaning uten-

sils, crackers, biscuits, condiments, home remedies.

National brands are not carried, because the pricing policies of their manufacturers are too rigid and because not handling well-known brands avoids arguments with customers, since such brands are often advertised as loss leaders by chains and others, and the customer expects to get the same prices at his doorstep.

Some manufacturers of advertised brands offer route operators their standard products, put up under a different brand. Then there are others, generally smaller manufacturers, who cater exclusively to this type of trade.

In the exhibit hall of the convention, manufacturers of both types were represented. However, nearly half of the 67 exhibitors were not there to show merchandise for sale but were pushing premium goods.

New Sales Records

Marshall Field & Co. had one of the largest spaces, offering bed linen, spreads, blankets, towels, etc., for premium use. Bigelow-Sanford Carpet Co., Inc., promoted carpets and rugs. Corning Glass Co. was there with its new line of Pyrex oven ware, the Aluminum Goods Mfg. Co. was one of several who boosted aluminum ware as ideal for cooking and premiums, and the National Enameling and Stamping Co. stood equally firm for enameled ware. Exhibitors agreed that sales to route operators were ahead of previous years.

According to experienced operators, a home service route must produce at least \$300 per week in sales to be profitable. Some operators hit an average of \$400. Distances covered by a route

salesman vary according to territory, will average 100 miles per week in urban centers, may reach 500 miles per week in rural territories. Profits are admittedly larger than those made by retailers who pay rent on store locations; however, route operators point out that running trucks means a large investment and upkeep expense and then there is the extra cost of premiums.

On the latter a smart operator will spend about 4% of sales, while some who are poorer merchants or perhaps less shrewd buyers will spend up to 8% for premiums in order to hold their trade.

Students of merchandising wonder whether in this field, as in some others, the small independent operators have learned how to outsmart the big one. They point out that Jewel Tea Co. appears to have difficulty in getting aver-

age sales per unit back to pre-depression levels.

In 1929 Jewel's sales averaged \$13,860 for each of its 1,215 units. Sales had dropped to \$10,266 per unit in 1931. Then in 1932 the company acquired the Loblaw chain of approximately 100 food stores in the Chicago area. Stores, of course, sell more goods per unit than are sold from truck routes, but despite that boost the 1,569 units operated in 1935 (including the stores) averaged only \$12,000 in sales per unit. This compares with the minimum of \$15,000 sales per annum, per route, claimed by the independents. While Jewel's 1935 earnings of \$5.49 per share of common stock compare favorably with those of \$5.47 earned in 1928, the profit ratio per dollar of sales was only 8.1% in 1935 compared with 9.7% in 1928.

Socializing the Bank of Canada

1934 legislation is being amended to put majority ownership in hands of government, which will use it to control credit and currency.

OTTAWA (*Business Week Bureau*)—Changes in the Bank of Canada Act, which have passed the House of Commons and are now before the Senate, will make the bank more definitely an instrument of government financial and economic policy in the future than it has been during the first year of its existence. That is the purpose of the amendments to the 1934 legislation. Parliament is deciding that Canada's central bank shall not be in private hands but, as regards majority ownership and control, in the hands of the state.

Had the present government had its way, the Bank of Canada would have been a wholly state-owned institution from the first, but those who are now the government were in opposition in 1934 and the government then in office held the bank should be free from political interference, and so provided for private ownership and control, widely distributed. Under the present legislation, capital stock will be enlarged from \$5,000,000 to \$10,000,000, with the government holding the new stock and appointing a majority of the directors.

The changes in control of the bank are made so that the government will be able to direct the bank in performing its major function—the control of credit and currency. By this control it expects to influence booms and depressions. The new bill gives the government the assurance that whatever monetary policy it might adopt (such as return to gold, tie-up with sterling), the bank will follow a course in keeping with that policy.

There is no change in the regular function of the bank of dealing in ex-

change for the purpose of maintaining the Canadian dollar in outside markets, nor in the function of giving assistance to governments, both federal and provincial, but this latter function is expected to be incidental.

It is not possible to measure the extent to which the bank has controlled credit and thereby influenced economic levels because plenty of credit has been available from chartered banks for sound enterprises and normal business.

Under the new bill, currency of the Bank of Canada, which is gradually replacing the currency of chartered banks, will be bilingual, in English on one side, in French on the other.

The shift from private to government control emphasizes differences between Canada's central bank and the Federal Reserve system in the United States.

In Canada, in contrast with the United States, the commercial banks may not own shares in the central bank. Also, commercial bank officials and employees are not eligible for the office of director in the Bank of Canada.

In Canada, the central bank has assumed sole powers for issuing notes. In the United States, notes are still issued by the government and national banks.

Canada's central bank otherwise performs duties comparable to the Federal Reserve. It carries on open market operations at home and abroad. It is not allowed to have any direct interest in any industry or commercial undertaking, or to make loans on real or immovable property. It provides the rediscount facilities formerly handled by the government under the Finance Act.

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Canada's New Deal Redealt

Bennett laws closely paralleling Roosevelt emergency legislation meet similar fate in Supreme Court.

OTTAWA (*Business Week Bureau*)—Canada's "New Deal legislation" emerged from the Supreme Court only slightly less shattered than that in the United States but, because very little of it had been put into practice, business was undisturbed by the decisions.

Eight key laws which were the heart of the Bennett New Deal were submitted to the Supreme Court by the King government when it took office. Two were held constitutional—the law providing for the scaling down of farm debts, and the section of the Criminal Code allowing prosecution for unfair or unethical business practices.

Two of the most important laws were ruled unconstitutional—the Natural Products Marketing Act (Canada's approximation of the AAA), and the Employment and Social Security Act which would have provided unemployment insurance on the English model.

No Effect on Business

Vital parts of the law providing for regulation of business (the Dominion's NRA) by the Tariff Board acting as a Dominion Trade and Industry Commission have been ruled invalid, in spite of the decision upholding the Criminal Code amendments. The present government had never required the Tariff

Board to begin functioning as a trade and industry commission, so there is no business change as a result of the ruling.

The six judges split 3-3 on three labor and wage laws providing for minimum wages, a 48-hour week, and one day of rest in seven.

Supreme Court decisions are not final in Canada. Under the constitutional provisions regulating life in the Dominion, the Privy Council in England is the court of last appeal. It probably will be many months before the final judgment is secured from this body.

Parallels in the United States to the legislation which has just been ruled unconstitutional in Canada are outlined in the accompanying box. Not all of them are exact. The closest parallel to the Farmers' Creditors' Arrangement Act is the Farm Credit Act of 1933 under which government loans are made up to 75% of the normal value of farm property. Without specific authority of law, the state governors, at the suggestion of Secretary Morgenthau, appointed state adjustment boards which in turn created county boards, to negotiate an adjustment with the farmer's creditors, to reduce his debt before application was made for a loan to refinance him.

The action of the court in declaring unconstitutional the Employment and

Social Security Act will not affect the Dominion's old-age pension laws which are provided in separate legislation that was in force long before the passage of the unemployment act.

Unlike the New Deal legislation in the United States, which was in almost all cases made immediately operative, little of the Canadian legislation has ever been put into effect. A dozen or more marketing schemes are functioning, and will continue until the Privy Council sends down its final decisions. After that, it will remain for the individual provinces to set up their own codes. These can operate only within each province, however, though the drawbacks of this limitation may partially be overcome by having several provinces adopt a common code. No federal action to prolong any of the acts is expected in spite of the example in the United States of extending some of the AAA provisions in the new Soil Conservation Act.

Provinces Protect Powers

Prime Minister King has a kind of academic interest in labor and wage laws, but has always held that he could do nothing on a nationwide basis unless the provinces agreed to a measure which the central government would propose. It will probably be a considerable time before any serious attempt is made to revive these plans, for the present government is anti-New-Deal and pledged to the principal of complete freedom for business under the present laws.

Two New Deals—and What Happened to Them

Canada			United States		
Legislation	Purpose	Status	Legislation	Purpose	Status
Dominion Trade and Industry Commission Act	To allow government commission to approve price and production agreements	Partly unconstitutional	National Industrial Recovery Act	To permit groups of industries to regulate prices and marketing;	Unconstitutional
Section 498 A of the Criminal Code	To provide fines and imprisonment for unfair or unethical business practices	Valid		To set up minimum wages, maximum hours, and grant labor the right to bargain collectively	
Natural Products Marketing Act	To permit groups of producers of natural products to set prices and regulate marketing—both as to quality and quantity	Unconstitutional	Agricultural Adjustment Act	To raise farm prices by reducing crop acreage, making benefit payments	Unconstitutional
Employment and Social Security Act	To provide unemployment insurance with government, employer, and worker contributions	Unconstitutional	Social Security	To provide old age pensions and unemployment insurance with contribution by government, employer, and worker	No court decision yet
Farmers' Creditors' Arrangement Act	To provide scaling down of farm debt	Valid	Farm Credit Act of 1933	To help scale down farm debt	Uncontested
Minimum Wage Act	To provide Dominion-wide minimum wage	Tie vote		(Labor principles covered above in NRA)	
48-Hour Week Act	To provide maximum hours in long list of industries on Dominion-wide basis	Tie vote			
Weekly Day of Rest	To provide 1-day of rest in 7 on Dominion-wide basis	Tie vote			



ENGLAND MEETS A NEED—The great new airport at Gatwick went into service this month, to meet a pressing need for better

air terminals as traffic between England and the Continent rises. Electric trains carry passengers to and from London.

Business Abroad

Labor has its day in France, and the idea threatens to spread. Governments are making feverish efforts to avoid serious international outbreaks. Canada officially blots out its New Deal.

EUROPE is calmer this week, and business is better. Leaders in both business and politics, however, are talking freely of the peaceful revolution which is taking place in France—where labor for a week supplanted parliament as the supreme authority—and speculating on how long it will be before all of Europe will experience the same thing. The Scandinavian countries are leaders in liberalism—and are prosperous. The Communists brought radical labor independence to Russia; recently it has been modified into something akin to state socialism, but Russian workers still have scarcely an enviable supply of the little luxuries of life. Belgian workers have been quick to demand the same privileges and wage concessions that their French colleagues have won. It is only a matter of time until the fever reaches Britain. Then it is bound to come even to fascist Italy and Germany.

Labor Uprisings Ahead

Executives everywhere are concerned with the effects. With labor costs up, prices must rise. It means a period of drastic readjustment, labor uprisings, and financial strain.

Diplomatic relations are less strained. There is a spreading realization that trouble, once it breaks out, cannot be localized. It means large-scale fighting at tremendous cost. Every nation is preparing for it, but none wants anything to start now. It fears the combination against it will have some advantage. Not until some country finds itself squeezed to the wall with nothing to lose if it fights will war break out. Every nation is busy now finding ways of easing the pressure on troubled areas. Germany's colonial demands will probably come next, and it is Britain which will be forced to make major concessions in this

case, although the British are preparing to bargain sharply.

A similar situation exists in the Far East. China is at the mercy of Japan—and so is the Oriental trade of Britain, France, and the United States. Newest capitulation to the Nipponese is the withdrawal of French capital from the Franco-Japanese Far Eastern Enterprise Co. in Dairen (Manchukuo) because of unsatisfactory business. British and American oil interests were pushed out of Manchukuo earlier, and foreign tobacco companies are losing ground to the Japanese. It is only a matter of a short time until all but Japanese interests will be squeezed out of all of North China. The position of others even in the Yangtze valley is threatened.

Japanese exploitation of Manchukuan placer-gold districts along the Siberian border is progressing. A refinery is being built at Mukden which is expected to refine more than \$1,000,000 of gold a year.

To the highway program which Mexico is rushing to completion (the Laredo-Mexico City section opens officially July 1 with elaborate ceremonies) to lure tourists from the United States, the Mexican government has added a new attraction—horse-racing. Americans

and Mexicans will revive that sport this fall and winter in a big international show at Mexico City. The government has again legalized certain forms of gambling, including betting on the races.

The international tariff battle centered in the Orient this week. Japan, retaliating for the drastic tariff increases and the application of quotas by Australia, has invoked its Trade Protection Law, including a licensing system for wool and wheat and prohibitive duties on other imports.

Great Britain

Uncertainty develops over lack of strong government program and fear of Continental complications. Manufacturers protest government interference.

LONDON (Cable)—The Baldwin government is increasingly unpopular as a result of its action on sanctions. While the public is agreed that the idea should be dropped because it has accomplished nothing, the Left has been protesting the move loudly as a betrayal of the League of Nations, while the Right are crying that the system should never have been adopted without the force to back it.

The whole affair has dramatized for the general public the weak position in which Britain finds itself at a time when international rivalries are most bitter and when the Empire's solidarity is threatened. Every effort will be made to conciliate Italy, and to maintain good relations with Germany, with the hope that ultimately these three nations, with France, may be reunited in a solid front to preserve peace.

This lack of a government program, and the inevitability that Britain is going to be forced to make concessions in the bargaining with Continental aggressors, is developing an undercurrent of uncertainty. The outlook is not bright.

Stock markets are inactive, though

prices are steady. The fear is general that the slightest shock will completely upset the market.

Aircraft manufacturers are getting restive about the rearmament program. At the Handley-Page works, a committee of costing experts from the air ministry has been at work since March. It is trying to agree on a fair cost for the Heyford bomber. It will probably complete its work by July and then transmit its conclusions to some official who will further hold up a decision. In the meantime, the Heyford bomber is growing obsolete.

Fight on Profiteering

The method is to agree to a provisional price when the contract is placed and to pay interim payments on work in progress, but manufacturers privately grumble that this long investigation before arriving at the provisional cost makes a farce of vigorous rearming. The government's motive is fear of profiteering, which the public is in no frame of mind to tolerate.

A second hindrance is that manufacturers are asked to make plant extensions with no guarantee that when the rush is over they will be compensated for idle property and plant. Philip Hill, wealthy Jewish financier, who made his initial fortune out of concrete boats and houses during the war and now controls large drug and property interests, has entered aircraft through the Hawker-Siddley company. He believes that there is the possibility of making British aircraft manufacture as great an industry as shipbuilding was in the old days; projects large factories in the dominions as well as at home; promises to be the first to realize the rationalizing possibilities.

Contracts have been placed for 19 all-steel three-car electric trains, together with electric train equipment, in connection with the electrification of the Wirral Railway, between Birkenhead, New Brighton and West Kirby. A distance of 20 miles is involved and the electrification will enable the running of through trains between the Wirral and Liverpool.

This is one of the schemes under the 5-year plan for the modernization of British railways. Work is to start shortly and the changeover is expected to take place early next year.

Germany

Reich forces new loan on public. Nazis build huge organization to handle vacations.

BERLIN (*Cable*)—The government this week announced its seventh loan since January, 1935. It is an issue of 700,000,000 marks which will be used to consolidate outstanding short-term government obligations, and brings the total

of government borrowing in the last 18 months to more than 3½ billion marks.

The new loan runs for 12 years, with repayment beginning in 1943. The interest rate is 4½%.

Industries are being pushed to absorb the issue, the prospering lignite interests having felt obliged to take a reported 200,000,000 marks of the new bonds. The saturation point for government loans seemed to have been reached many months ago, but the present system of discouraging public issues to finance new industrial developments leaves a considerable volume of uninvested savings which are forced into government bonds. Insurance companies and savings banks are loaded with them, and all of the larger industries which are prosperous have invested current surpluses in this way.

Markets reacted to the loan announcement this week. Stock prices sagged.

Germans were relieved at the balance and moderation in Premier Blum's French foreign policy statement this week, but Germany is maintaining friendly contact with Italy. It gives Germany an ally, no matter how unwelcome, in case France and Britain return to a collective security pact which ties Germany's hands in the Danube basin and southeastern Europe.

The countervailing duties imposed by the United States are a source of worry for they have already depressed the market price of ASKI marks making it more difficult for Germans to accumulate dollar exchange.

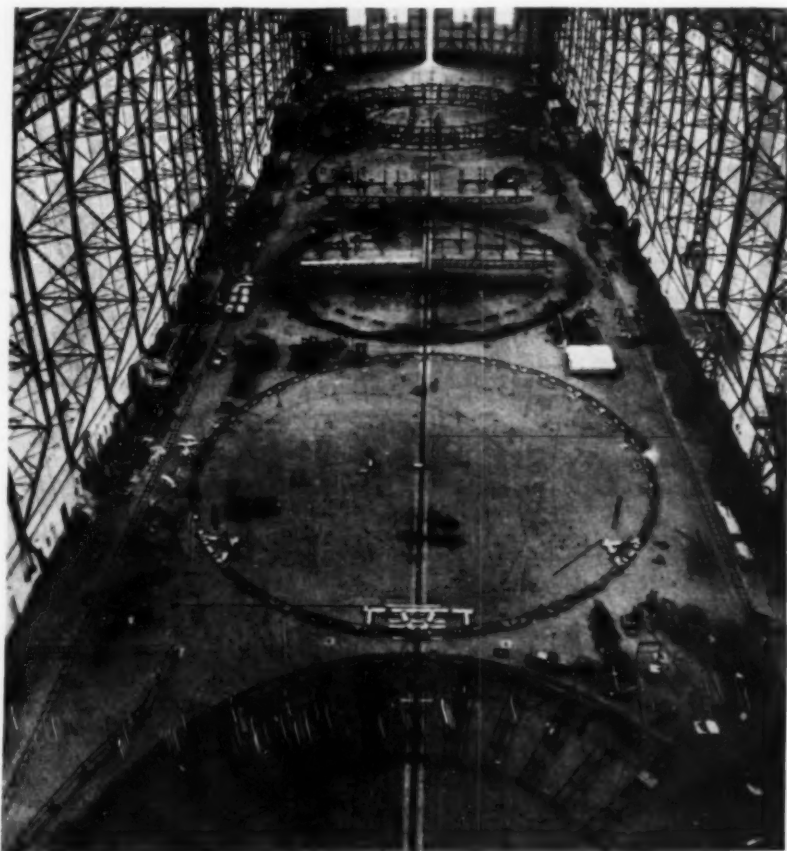
Vacation Plan

The arrival of the summer vacation period has revived interest here in the Nazi's successful "Strength Through Joy" holiday plan for workers, one of the outstanding features of the powerful Nazi propaganda program.

The Labor Front—Nazi successor to the former free trade unions—uses a large part of its annual 400 million mark budget to run this vacation scheme. Trips to the mountains and seashore, ocean cruises to Madeira and the Norwegian fjords on ships specially chartered for the purpose have made the organization a tremendous factor in keeping up party support.

The ambitious plan of the leader of the Labor Front is that within the next few years 14 million German workers be offered all necessary facilities for spending a 7-day holiday at a cost of not more than \$8, including travel.

For this purpose the organization plans to build five sea resorts each to accommodate 20,000 workers and mem-



GERMANY BUILDS ANOTHER—The sister ship to the giant Zeppelin, *Hindenburg*, is being built at Friedrichshafen; the huge circular ribs may be seen in their early stages above. During construction, the dirigible will be called LZ-130.



SIMPLE SOLUTION—A complete answer to the problem of seeing signs at night, the road markers on main French roads offer an example which might be followed by other countries.

bers of their families. In addition, there is a plan to build 30 ships, each with a capacity of 1,600 berths, to take workers on holiday cruises.

On May Day, the foundation stone was laid for the first sea resort on the isle of Ruegen, in the Baltic, and simultaneously the keel was laid for the first "labor cruiser" of 25,000 tons at Hamburg. Orders for three more ships of the same size will be placed this summer.

Incidentally, the North German Lloyd carried in 1935 more than 37,800 "Strength Through Joy" passengers on three ships chartered by this organization. These ships made a total of 38 cruises. In the same year, two ships of the Hamburg American Line carried 28,400 passengers on 36 cruises.

France

Government program anticipates credit inflation, better business, larger tax returns. Automobile radios are unpopular.

PARIS (Wireless)—The reopening of the department stores in Paris this week practically marked the end of the strikes which have been the feature of Premier Blum's régime, but the country is still nervous. In part this is due to the uncertainty over the political future of the cabinet, but also it is due to the new order to dissolve the fascist leagues. Every thinking Frenchman realizes that this can cause serious trouble, though

nothing has yet happened to indicate that the Right opposition is planning to fight back aggressively.

The wage increases granted to the striking workers are already reflected in higher prices. The threat of the government to take over the country's wheat trade has alarmed farmers. This is worrying the Senate, which is always especially sensitive to agricultural interests, and is an ultimate threat to the government.

The government's financial program, however, and the week's declaration of foreign policy have been somewhat reassuring. Inflation is implied in the government's schemes for credit expansion, but, beyond the threat to punish citizens who have failed to declare their foreign capital holdings, there is no sign of any restriction on free capital movement. Reduction of the bank rate from 6% to 5% is another indication that public confidence has revived.

Credit Inflation

The Blum government's financial program has four main points: the Treasury will borrow an additional 10,000,000,000 francs from the Bank of France to tide it over the next few months; it will try to draw out hoarded capital with an issue of baby bonds; the Bank of France will be reorganized and placed under direct government control, and the country's credit system will be rationalized; and finally, the country's tax system will be revised and simplified.

It will be six weeks or two months before the situation can be appraised with any accuracy. By that time, the wage increases will have been digested and passed on to the consumer. Workers, encouraged by the gains they made in the last strike, may again demand wage adjustments. The question will then arise as to whether the government will avoid these strikes and at the same time force the employers to give in again, or whether it will rout these renewed claims.

Paris has had an interesting experience with automobile radios. About a year and a half ago, Peugeot launched a line of new taxicabs equipped with radios. After a few days of amusement, the Parisiens manifested their dislike for them by not using them. A few months ago they were removed from most of the cars, and scrapped. Few Frenchmen have shown any liking for radios in their cars.

Taxi Innovation

Another taxi innovation is the midget cars which have been placed on the Paris streets by Renault. The cars are very small, hold only two passengers, and are very fast. They have created a sensation in Paris with their extremely low rates. Other taxis have been forced to reduce their fares since the new Renaults came on the market, and fleet

operators are protesting. Their drivers refuse to accept a lower salary, though they collect a smaller total in fares. Increased business which would be expected to result means little yet, because there is a surplus of taxis now. Tourists, already arriving in larger numbers than for several years, will be pleased with this inexpensive luxury.

Canada

New Deal measures are forgotten as hands-off-business government winds up first parliamentary session.

OTTAWA—As the United States goes into an election campaign in which the principal issue appears to the outsider to be justification of the New Deal versus a hands-off-business policy, Canada witnesses the close of the first session of parliament under a new government which has given practically 100% adherence to the latter policy. No federal government regulations have been imposed on business this session; New Dealing has faded out of the picture. And Canadian business and the public generally appear to be wholly content that it should be so.

The Mackenzie King administration definitely is following a middle-of-the-road course. Business has nothing to fear from it in the way of bureaucratic interference with its affairs. Some branches of business may be affected from time to time in the next three or four years by the policy of gradual recession in tariff protection but tariff policy reversals are not likely to be drastic.

The government intends, with parliament adjourned, to launch investigations into certain alleged industrial abuses affecting consumer and worker interests but this is in line with the traditional course of the Liberal party. The only New Deal element connected with the proposed probes is that they are prompted by conditions revealed by the Stevens business inquiry of 1934-1935.

Old Deal Must Go

Prime Minister Mackenzie King proposed to take a short-cut in these probes by making use of evidence produced before the Stevens committee, but the Senate has blocked this. It has rejected an amendment to the Combines Investigation Act which would have made evidence and documents produced before the former inquiry available in those about to be held. Consequently the government will appoint commissions to conduct the probes and make its findings on new evidence.

Enactment of recent legislation affecting radio (page 30), and the Bank of Canada (page 39) will require many new appointments and reorganizations which will not be completed for several months.

This announcement appears as a matter of record only and is under no circumstances to be construed as an offering of these securities for sale, or as an offer to buy, or as a solicitation of an offer to buy, any of such securities. The offering is made only by the prospectus, dated June 16, 1936; the prospectus does not constitute an offering by any Principal Underwriter in any state in which such Principal Underwriter is not qualified to act as a dealer or broker.

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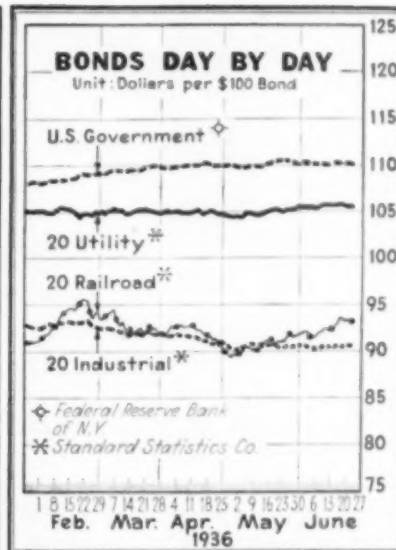
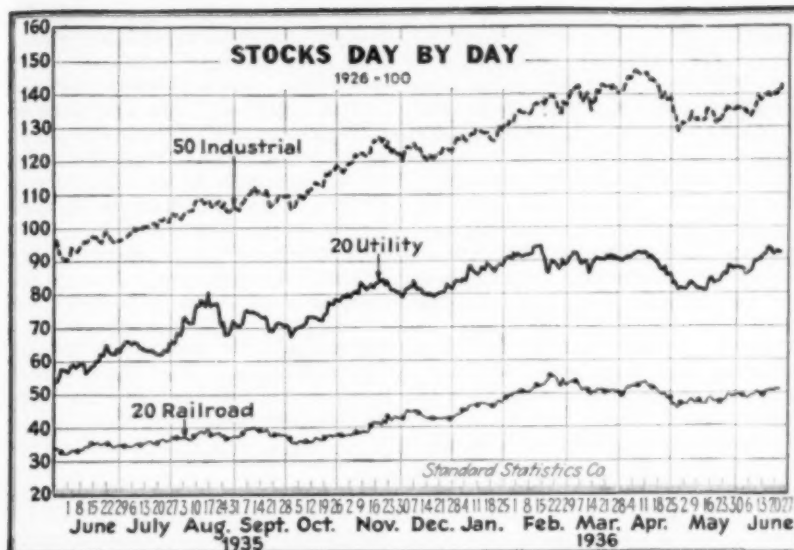
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Money and the Markets

SEC report on broker-dealer functions studied; modeling after London exchange is apparent.

BEJITTERED (a) by the burst of oratory from Convention Hall in Philadelphia and (b) by the Securities and Exchange Commission report on broker-dealer functions, financial markets this week blew hot and cold. Brokers spent most of their time fretting over what the SEC recommendations—if carried out—would mean to their livelihoods.

In interior cities apprehension was highest. If the SEC ultimately decides to segregate brokerage and dealer functions, the income of members of smaller exchanges will be cut sharply. In which case, those markets on a dollar and cents basis (*BN*—May 16 '36, p. 37) will be crowded closer to the wall.

SEC to Move Slowly

There is this saving grace. No violence is intended. The SEC plans to move slowly, despite a strong conviction that alterations are essential. Apparently, the London Stock Exchange is to be the adopted model.

In England, the exchange labors are divided between jobbers and brokers. The jobber (or dealer) trades exclusively for his own account. The broker is a customer's agent. He executes orders, receives a commission.

In the United States, brokers execute orders on commission and buy and sell for their own accounts. Thus, they act as both agents and principals, but there is this important proviso: Never may a broker be agent and principal in the same transaction.

Then, there is the specialist. He not only executes orders for himself, but also fills orders for other brokers and for customers (though the last is fairly rare). Specialists, as a rule, do not have extensive dealings with the public.

The New York Stock Exchange will be affected by any changes in broker-

dealer regulations. True, if smaller exchanges close, their business will gravitate to New York. But this increment would be more than offset by reduced over-all trading activity. Many small New York houses now cannot get along on commission operations alone; nor, for that matter, do all specialists coin money from their books. Therefore, to cut down on the extent of brokerage functions by segregation will reduce the

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money-making possibilities in Wall Street.

The chief objection of the SEC to combined trading and commission activities is that it tends, at times, to overstimulate the market. The SEC estimates that 24% of the day-in and day-out transactions originate on the floor of exchanges.

To brokers, floor activity is regarded as essential to market liquidity. But the SEC offers the observation that this trading, by and large, cancels out; that markets are no better off for it; that the bulk of "real" buying and selling of securities determines the course of prices and that the in-and-out operations are simply aeration.

At any rate, the report has been made—as required by Congress. It lies on the table for future reference. SEC Chairman Landis is on a month's vacation. Nothing definite will be done until he returns. Which affords time for reflection by SEC members and for mobilization by the opposition.

In the long run the SEC probably will seek some changes. But if they are dynamic and revolutionary, the constitutional issue undoubtedly will be raised.

Aside from the segregation report, there probably weren't too many obstacles to a rise in stocks this week, but the outlook was sufficiently muddled to nip several incipient rallies. There were technical considerations—the market, to go places, has shortly to break through the April highs. Political factors were confusing—the third party movement buoyed Wall Street's hopes of deposing the present Washington administration but Al Smith's blast, many feared, was a potential boomerang. Labor unrest is spreading. Southwestern railroads will be moving a fine volume of winter

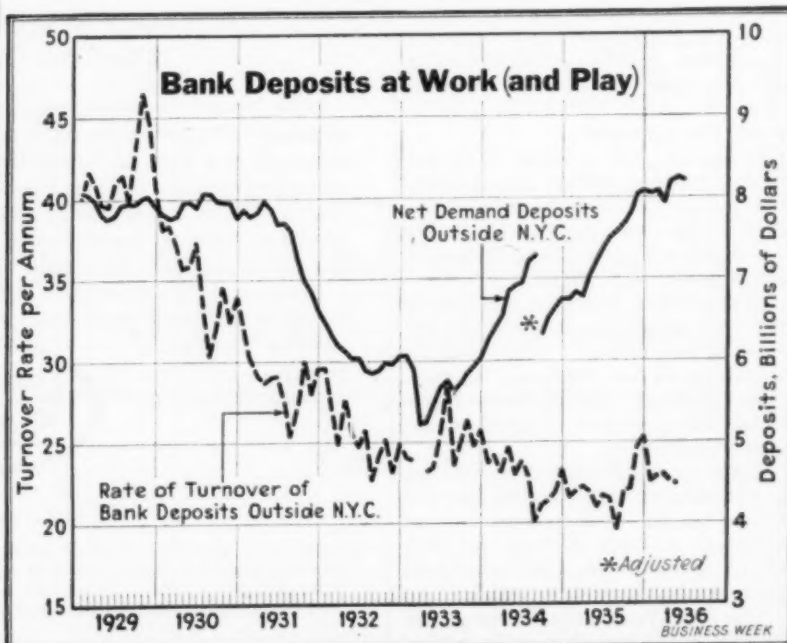
wheat over the next few weeks but drought threatens to cut deeply into later traffic in the Northwest. Public utility shares were held back by the prospect of a Democratic platform plank on holding companies and this outweighed an all-time record in power production (scored just prior to the longest day of the year, a time when output normally is near the year's low).

So long a list of contradictory factors is poor stuff on which to build a bull movement in stocks. There was, of course, good industrial news. Buick is expanding to the tune of \$1,500,000. Westinghouse raised the quarterly dividend on the common to \$1 from 75¢ and steel operations crept up to 71%.

Cotton, Wheat Active

In commodity markets trading continued large and, at times, enthusiastic. But here too there were some contradictions. The shorts had been routed in the whirlwind advance in grains and cotton and at the first sign of hesitancy they sold again. Drought in the Northwest is admittedly serious but the wheat traders won't be sure of their ground until the government crop report early next month. The trade has been a big buyer of cotton on the prospect of a shortage of spot before the new crop comes to market, but no one knows whether the Commodity Credit Corp. will reverse its policy and liquidate enough loan cotton to carry the mills. Nevertheless, prices still are at or near their highs.

Bonds were fairly active but prices tended to be a little easier. Activity continued, nevertheless, in the new issue market with \$32,493,000 of 3½s for Niagara Falls Power, \$32,000,000 first mortgage 4s and \$3,700,000 debenture 4s for Wisconsin Power & Light.



Editorially Speaking—

BEST jokes of the month—the Republican and Demopublican platforms.

A FRIEND of ours went to the theater the other evening, and who should sit down directly across the aisle but Chief Justice and Mrs. Hughes? Their neighbors spotted them instantly. People coming down the aisle paused and stared, stared and whispered, in that charming polite way that people have. And one nice girl started up the aisle between the acts, stopped short when she saw that unmistakable, distinguished face, and whirled back to her escort. "Psst! Chief Justice Taft!"

FT. SMITH, ARK., may have to pay the state sales tax on water sold by its municipal plant, because the Arkansas attorney general has ruled that water is not "a food necessary to sustain life." Upon what drink doth this our Cæsar feed?

UNIVERSITY of New Mexico anthropologists have found traces of ice-age men in the United States. Probably they left when the country got too hot to hold them.

"KNOX REVEALS STORY OF WHY LANDON RIVALS RETIRED." Can there be more than one reason for a towel in the ring?

WHEN a man reaches 70 he has a right to relax. Richard G. Babbage, chairman and president of the United States Realty & Improvement Co., became 70 years old the other day and celebrated the occasion by resigning in order to devote all his time to—golf? bridge? travel? collecting antique furniture? Nothing so customary. At 70 Mr. Babbage resigned in order to devote all his time to practicing law.

CHICAGO is preparing for another fair next year, to celebrate its centennial as a city. What the Century of Progress celebrated was Chicago's centennial as a town. It was a successful celebration, proving that even in modern times a well-managed fair can attract visitors and money. Other cities immediately began profiting by that lesson, and Chicago sees no reason why it shouldn't cash in a second time. And how about a new excuse for a centennial celebration of some sort in '39 or '40?

THE fake accident racket has been getting attention lately. In one case uncovered by the police it appears that a smart fellow told a man and his wife that he could show them an easy way to make money. He faked a motor accident and then he took the husband and his wife home and gave the husband a

general going-over with a rolling pin, breaking his arm and doing miscellaneous damage, and meanwhile the merry conspiring wife was using a cheese-grater to shred the skin off her legs. We're glad these people didn't succeed in collecting their insurance claim, because if they had been allowed to make money in this easy way they would have kept at it all the rest of their lives instead of suffering the pains of honest work.

ILIODOR, the Mad Monk of Russia, sued the American publishers of a book that mentioned him uncomplimentarily. "It ruined my reputation," he said, and the jury answered, "Your what?"

FLINT, MICH., has found a use for cast-off Christmas trees. With the help of WPA labor, Flint is building an open-air theater, rustic in design, the stage being made of Christmas trees that have been salvaged from the municipal dump. Now perhaps some up-to-date industrial designer will make a stage of cast-off razor blades.

ONE of our marketing experts looked up from the news ticker the other day and observed: "They must be preparing to fight the next war with cocoa. It's the only thing going up."

"PRESIDENT CLOSELY WATCHES TAX JAM." A pity he didn't keep his fingers out of it.

THE Gentleman Down the Hall is Columbia '17, and the other day he got an invitation to a class dinner. "The committee has planned two major attractions. A political discussion between a New Dealer and a Republican. We cannot publish the names of the gentlemen, but believe us when we say that they are of such outstanding prominence, our temerity fairly frightens us."

This is major attraction or intimidation No. 1. Now for No. 2. "A seventeen who recently played a leading rôle in the greatest vice trial in history is going to give us a *résumé* of the interesting phases which even the papers couldn't get."

Smack your lips, boy. This is the real thing. No. 1 is so much scenery, camouflage, solemn respectable cover-up; No. 2 will pull the crowd. "This has all the earmarks of an epoch-making dinner," says the committee passionately, "and we urge your cooperation." But on the day before the dinner, which was promised for June 25, the Gentleman Down the Hall went aboard the *Queen Mary* for six weeks in Europe, the poor sap, instead of waiting over to hear a *résumé* of the interesting phases which even the papers couldn't get.

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Dangers Deferred

The best that can be said for the new tax law is that it is not as bad as it would have been if business had not fought valiantly against it. But this merely means that the worst dangers have been deferred. They will lie in wait till next year's congressional session and may pounce on business then.

Meanwhile it is necessary for corporations to deal with the radically changed conditions produced by the new law. Choosing between the evils confronting them, they must decide at what point the value of surplus is outweighed by the penalty of taxation on retained earnings.

For small and growing corporations this law will work in a direction opposite to the announced intention of its sponsors. Ostensibly designed to help the little fellow, it will penalize him if he plows back the necessary earnings for healthy growth. The capital market is not open to the small corporation with vigorous management and large ambitions. During all its early and difficult years it must rely on its own resources and on direct appeals to a few investors. When it starts making profits it must eagerly conserve them. Now comes a tax law that lightens the corporation's burdens if it is content to remain small, earn a modest income from year to year, and undergo the dangers of stagnation, and that imposes heavy penalties if the management is energetic and courageous enough to conserve earnings in order to expand and become a leader in the industry.

Surpluses have been denounced as the villains in the economic drama. President Roosevelt has long fretted for a chance to topple them over, and his partial victory will not content him. If he is still President next year he will resume the war. And yet it was these hated surpluses that carried business over the depression and averted complete collapse. Corporations with large surpluses kept men at work, paid dividends that were not earned, bought equipment, modernized plant, improved their products, and preserved the life of the business organism.

Now these surpluses are to be discouraged, and future legislation may come pretty near to demolishing them. In that event another depression would find business so helpless that it would have to turn to government for a dole. Agencies such as the Recon-

struction Finance Corp. would have to be established in a hurry, and on a much larger scale than we have witnessed in the past four years, and very likely they would have to pour out not merely loans but gifts. For the abolition of corporate surpluses would annihilate the ability of business, particularly in the feast-and-famine industries, to withstand a severe depression.

Another year is coming, another Congress, another tax bill. If Mr. Roosevelt is President then he will renew his attack on corporate surpluses. Business must therefore continue its fight against his tax theory, as partially applied in the new law. It must demonstrate the evils of this law and must use all its strength to procure the election of reasonable men to Congress.

A Few Questions About This New Compulsion

Business now has another problem—the Walsh-Healey act, under which the federal government attempts to control the wages and laboring conditions of workers who make the goods that it uses.

Is this act constitutional? Manifestly it has no relation to the quality of the goods that the government buys, or the kind of bargain it gets. The government is abusing its powers as a customer to regulate the private affairs of industry. Will the Supreme Court allow this?

When necessary to avert injustice or to save government business from impairment, the secretary of labor is authorized to make exemptions from the requirements of the act. Will not many exemptions be absolutely inescapable in those industries where the government has to depend for materials on suppliers who cannot produce goods for the government under one set of labor conditions while a different set is required in producing

goods for private customers? And if such exemptions are not granted, will not suppliers arise who produce for the government and nobody else?

The act not only regulates the labor and wage conditions in the contractors' establishments but also provides that none of the goods furnished shall be produced in plants where working conditions are insanitary or unsafe. Is not this an attempt to dictate conditions in the plants of subcontractors?

And where will such a farflung and multifarious attempt stop? Will it not lead into every branch of industry? Does it not foreshadow another attempt by President Roosevelt next year to enact wage-and-hour regulations of the ambitious kind that George L. Berry and his network of committees are stubbornly planning?

Birth of a Party For Revolution

The nature of the new third party is clear. It is a pre-Fascist party, making an immediate appeal to the Coughlinites, the Townsendites, the share-the-wealthers, and other groups of the discontented. In true Fascist style, it roars for inflation, denounces finance and big business, and unblushingly makes impossible and contradictory promises to every element whose support it seeks.

Its actual immediate purposes are twofold: first, to sustain the zeal of Father Coughlin's followers by giving them something to do and fight for; second, to elect many Republican and Democratic congressmen pledged to the Frazier-Lemke inflation bill and other legislation demanded in the grab-bag platform.

But its remoter purposes are more ambitious. A few more years of widespread unemployment might weld and strengthen this party, sharpen its fanaticism, and provide it with a new leader as clever as the late Huey Long. It would then be a Fascist party in full growth. The next depression might give it the chance to seize power; and the policies it would apply would be fundamentally revolutionary, because, as the experience of Germany has proved, you cannot inflame millions of people with revolutionary propaganda for years and then satisfy them with something less than revolution.

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